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Agent Opportunities Are Enormous, Will Expand Tremendously In 1960s

Almost unlimited opportunities for the producer lie ahead, Dr. Edwin S. Overman, assistant dean of American Institute, told the annual meeting of New York State Assn. of Insurance Agents at Kiamesha Lake.

Though agents have been exhibiting increased pessimism as the business grows more complex and competitive, as expenses rise and commission levels tend to decline, the economy is growing. By 1969, predictions are that the U.S. annual output of goods and services will have increased by 50%. If insurance services keep pace with anticipated economic expansion of the rest of the economy, the $12 billion of premiums written in 1959 ($8.6 billion by stock fire and casualty companies) will climb to $18 billion. Moreover, Mr. Overman pointed out, this does not include new developments in family finance, which are sure to add untold volumes of new business to insurance agencies in the future. Thus future opportunities open to insurance and family finance agencies appear almost boundless.

Erroneous Assumption

One reason for agents' pessimism is that they erroneously assume that when their competitors grow larger, they automatically become smaller. If competition takes a larger and larger piece of the common pie, obviously there is left a smaller piece for them. But even though competitors may be getting larger slices of the insurance pie, it is possible for everyone else to get a larger piece also because the pie is getting larger every year.

One of the newest fields beginning to open for the property-casualty agent is family finance, Mr. Overman emphasized. The "family finance" idea is, in brief: (1) Financing of the automobile by an insurer facility through an agent, as well as insuring it; (2) provision by the insurer of mortgage money to finance the purchase of the home, as well as insuring it, both services being handled by the agent; (3) sale of life and A&S by the fire and casualty agent, and (4) placement of annuities or variable annuities, and sale of mutual funds, again by the same family finance adviser-agent.

Arrangement of auto financing by agents, usually through local banks, is not new, Mr. Overman pointed out. But in more recent times several insurers have set up separate companies to provide automobile finance facili-

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Home Buys Large N. Y. Agency, Names A. E. Mezey V-P

Home has purchased the Hoey, Ellison, Frost & Mezey agency of New York City. The agency will continue operations under the present management of Albert E. Mezey and Louis C. Mezey. In addition, Albert E. Mezey has been elected a vice-president and secretary of Home and will be in charge of its metropolitan department. Both Albert and Louis Mezey will maintain headquarters at the agency. Frederick W. Mezey, 1st vice-president, will retire from the agency.

The agency is a combine of Hoey, Ellison & Frost and the Mezey agency, which merged in 1956.

Hoey, Ellison & Frost was founded in 1916 and the Mezey agency was organized in 1934 by Albert E. Mezey and Alexander F. Mezey in Brooklyn. In 1937 the offices were moved to Manhattan.

Started At Age 14

Albert E. Mezey entered insurance at the age of 14 in the agency of Darby, Hooper & McDaniel. He served successively as vice-president of the D. L. Rosston agency and production manager of the E. H. Driggs agency before joining Home Indemnity in 1930 as production manager. He is past president of New York City Insurance Agents Assn. and a former director of New York State Assn. of Insurance Agents.

Louis C. Mezey began his insurance career with Darby, Hooper & McDaniel. He joined Aetna Life in 1923. He handled war damage insurance for Aetna in 1942. In 1943 he joined the Mezey agency.

F. W. Mezey started his career in 1915 with Wells & Christy, brokers, and was one of the first metropolitan special agents of Home. After 24 years, he became assistant supervisor of Home's metropolitan department. He later became office manager of McDaniel & Co., and joined the Mezey agency in 1949.

Roster Shifts Noted By National Board

National Board has reported that in 1959 seven company groups resigned, five new members were elected, and two members were lost through mergers.

Those resigning were Continental-National; Corroon & Reynolds; Firemen's of Washington; Home; National Union of Washington; Northwestern F.&M., and Springfield F.&M. and affiliated New England.

New members are Anchor Casualty, Associated Indemnity, Massachusetts Bay, Queen City, and Western Casualty.

Other members lost were Commercial Union through merger into British General, and Fidelity-Phenix through merger into Continental. Total membership at the end of May was 199.

Summit F.&S. To Retire From Bail Bond Field, Bianchi To Central Cas.

A. J. Bianchi, president of Summit Fidelity & Surety of Akron, has resigned and on July 1 will join Central Casualty of Chicago where he will organize and manage a bail bond dividivision.

As of June 30, Summit F.&S. will retire from the bail bond field and will run off that business now on the books.

Parker To Retire After 44 Years With Ky. Bureau

George H. Parker, for 44 years manager of Kentucky Inspection Bureau, is retiring July 1. He will be succeeded by John L. Thompson, who has been assistant manager since 1941.

Mr. Parker is a 56-year man in the insurance business, having been with the old Western Union, predecessor of Western Underwriters Assn., and with inspection and rating bureaus in Iowa, West Virginia and Chicago. He started his insurance career with Chicago Board of Underwriters.

Mr. Parker is known to many mayors and fire chiefs for his advocacy of improved fire defenses. He is one of the organizers of the arson seminar held annually at Purdue University.

He plans to continue active participation in the arson seminar and in fire prevention work in Kentucky. He will maintain offices at 845 Starks Building, Louisville.

Mr. Thompson graduated from Purdue University in mechanical engineering and joined Kentucky Inspection Bureau in 1925. He was made assistant manager in 1941.

His assistant will be W. M. Horn, who has been with the bureau since 1928 and who now becomes assistant manager. He has been chief engineer. He is a graduate in fire protection engineering at Illinois Tech.

Underwriters Adjusting Has 3 Mich. Changes

J. C. McParlan has been appointed by Underwriters Adjusting as general adjuster for western Michigan. He has been with Underwriters Adjusting for 30 years. He will have headquarters at Grand Rapids.

C. P. Berry, manager at Holland, has been made manager at Grand Rapids. He was in Grand Rapids for 11 years prior to his appointment as manager at Holland.

A. W. Booth has been appointed resident adjuster at Holland.

Progress Reported On Mass. Bonding, Hanover Merger

Negotiations Proceeding With Jan. 1, 1961, Seen As Possible Target Date

A. L. Peirson Jr., president of Massachusetts Bonding, in a letter to the company's agents, has revealed that merger negotiations with Hanover had been undertaken prior to the offer for Massachusetts Bonding stock by Worcester Mutual Fire and "interests friendly to the latter company." Mr. Peirson said that his management and Hanover's have for some time regarded the combination as logical and constructive for many reasons. He indicated that the earliest possible date for the merger is Jan. 1, 1961.

The negotiations were reactivated, he reported, after it became apparent that the New England interests "were obliged to dispose of their stock." Hanover has since acquired a block of Massachusetts Bonding stock, Mr. Peirson noted, since a merger could not be accomplished without a two-thirds favorable vote. The surviving company after the merger will be Massachusetts-Hanover.

Mr. Peirson said that Best & Co. has been engaged by the two companies to make an appraisal and suggest a ratio of exchange of stock. This suggested ratio will serve as a basis of discussion, but neither side is bound by it.

No Fundamental Changes Expected

No fundamental change in relations with agents or in methods and principles of transacting business is contemplated, Mr. Peirson explained.

H. Ladd Plumley, chairman and president of State Mutual Life, which has a shared management agreement with Worcester Mutual Fire, has also commented on Worcester Mutual Fire's "loss of interest in an affiliation with Massachusetts Bonding." In a letter to his general agents and other company personnel, Mr. Plumley said that State Mutual Life feels that the progression of any activity with Massachusetts Bonding is no longer feasible.

"Naturally, this is disappointing to us, since it creates more delay in our being able to provide comprehensive one-stop buying facilities for a client's full insurance needs," Mr. Plumley declared. Nevertheless, the trend to a multiple line operation is dynamic, and his company's thinking is strong and positive in this regard, he concluded.

Coffay Retires In N.Y.

John P. Coffay Jr., manager of Massachusetts Bonding's New York office, has retired. Joseph Boyce, assistant manager, has been named to succeed him.

Holds U&O Policy Doesn't Insure Profit, Saves $46,000 Of Income Tax Liability

ST. LOUIS—The importance of insuring production instead of profits under a use and occupancy insurance program in order to avoid, in some situations, a substantial federal income tax problem is brought out in a special bulletin of Associated Industries of Missouri.

Basis for the bulletin is a ruling of the U. S. court of appeals, sixth circuit, in Shakertown Corp. vs Commissioner of Internal Revenue that fire insurance proceeds had been received by the manufacturer for loss of use and occupancy of the destroyed premises and not for profit loss. Hence the insurance payments were non-taxable gains from involuntary conversion.

Shakertown Corp. owned two plants, one in Chehalis, Wash., and the other in Cleveland. It had regular fire policies in effect in the amount of $215,400 covering these locations. It recovered $197,580.53 under these policies, and there was no issue about this recovery, but it was referred to in connection with the U&O recovery.

Had Two U&O Policies

Shakertown had two U&O policies issued by Lloyd's of London. The policies were exactly alike, except one was for $4,000 per week and the other for $6,000, and they covered the two plants for "the use and occupancy of all buildings and/or structures and/or machinery and/or equipment contained therein upon the premises owned and/or leased and/or occupied by insured" against total suspension of business due to fire, etc., as well as partial suspension. For partial suspension the insurer was liable for a proportion of the total weekly amount of $10,000 under the two policies as the "proportion of reduction in output bears to the total production which would, but for such partial suspension, have been obtained during the period of partial suspension."

The plant in Chehalis was completly destroyed by fire, but the Cleveland plant continued to operate. During the policy period the insured reported at six month intervals to the adjuster the approximate net profits and charges for the previous 12 months. The adjuster in settling the loss used among other figures the net profits and fixed charges to determine the percentage of production or output lost because of partial suspension of business.

The tax commissioner contended that the net effect of all this was that Lloyd's insured the profits of Shakertown and he assessed an additional income tax of $46,722. The settlement under the two Lloyd's policies was $198,749. This amount, along with the $197,580 received from the regular fire policies, was within 12 months expended by Shakertown to build a new plant and was treated by Shakertown as an involuntary conversion under section 112 (f) of the internal revenue act of 1939.

It was pointed out that the lost profits in this case were $200,930, but that the settlement was for a smaller amount, which indicated the insurance was not against lost profits. The court held the insurance to have been against loss of production or output and that production is not necessarily profitable. Under these policies insured could have been operating at a loss and still be entitled to recover for loss of output or production. The opinion holds that where the adjuster used figures relative to net profits and fixed charges in arriving at percentage of loss of production, this did not change the insurance from loss of use and occupancy to loss of profits.

The opinion recognizes that loss of profits may be insured, as well as loss of output or production. The court said: "If these insurance policies insured loss of profits rather than loss of use and occupancy for the property destroyed, the proceeds are to be treated as taxable income. If, however, the proceeds received constituted a payment for loss of use and occupancy, as distinguished from loss of profits, they are properly treated as a non-taxable gain." Associated Industries of Missouri notes that determination of the question accordingly depends upon the construction given to the provisions of the policies under which the proceeds are received. Because it was held that the plain language of the policies did not insure against loss of profits, insured did not have to pay the additional $46,700 income tax.

Sees Auto Cream Going Into Allstate Non-Can

Greater New York Insurance Brokers Assn. has called on National Bureau and Mutual Insurance Rating Bureau "to realistically meet the competition" implicit in Allstate's introduction of its non-can- guaranteed renewable auto program in New York, and the extensive advertising in connection therewith.

In letters to the bureaus, Mortimer L. Nathanson, chairman of the association, referred to the flood of proposed legislation publicized during the last legislative session in New York in connection with cancellation and underwriting procedures of auto insurers. He suggested that if a non-can program is adopted by all companies, adverse legislation based on passion and prejudice may be forestalled.

Nationwide Endorses Government Help For Old Age Health Needs

Directors of Nationwide Mutual group have adopted a resolution placing the companies in support of "some form" of government program, based on the social security principle, to provide basic hospital and medical care for persons over age 65.

The directors said they would continue efforts to provide voluntary health coverages for older citizens in addition to what is provided through government programs.

President Murray Lincoln of Nationwide Mutual said the thinking is not that government should do for people what they can do for themselves, "but we have a situation where the government must step in if basic medical care is to be made available to people who need it."

Mr. Lincoln said Nationwide group does not endorse any particular bill, having been aware of "this serious problem" before bills of the nature of the Forand plan were introduced.

"With a proper balance of effort on the part of industry and government," he said, "the building of a program to provide for every citizen's health needs in his old age can be achieved."

O'Connor, U. S. Rep. Debate Forand-Type Bills In Chicago

Proponents of Forand-type legislation propose a permanent governmental scheme as the answer to a temporary problem, E. H. O'Connor, managing director Insurance Economics Society, told Industrial Relations Assn. of Chicago at its annual meeting.

Although scheduled to debate on the subject "Medical Care For Our Aged—Voluntary vs Government," Mr. O'Connor was not interrupted as he made his points because his opponent, Congressman Roman C. Pucinski of Chicago's 11th congressional district, was at that moment circling Midway Airport in a vain attempt to land in bad weather. Rep. Pucinski finally did make it to the meeting—but so late that only five minutes of debating time were left before the meeting was forced to adjourn.

A 'Temporary' Need

Mr. O'Connor termed the present need for assistance for the aged "temporary" inasmuch as Health Insurance Assn. has estimated that by the end of this year 65% of older people who need and want such protection will be covered by voluntary health insurance, 80% will be covered by 1965 and 90% by 1970.

Mr. O'Connor's address was almost identical to what he had presented before many groups throughout the country, although he did bring those in attendance—all executives of various industries located in and around Chicago—up to date with regards to the many and varied programs of medical care now pending in Congress. He concluded his prepared address by noting that the Mills proposal would cost about $325 million a year—the estimated cost to the government being $185 million and that of the states $140 million.

Mr. O'Connor said the government would provide funds for payments for benefits under an approved state plan in accordance with an equalization formula under which the federal share would be between 50% and 65% of the costs depending upon the per capita income of the state. This is the same formula now used for old age assistance payments.

At this point, the long-awaited Rep. Pucinski arrived, bulging brief-

(CONTINUED ON PAGE 37)

Hagy Named To New Rain & Hail Post

Emory J. Hagy has been appointed an assistant manager of Rain & Hail Insurance Bureau at the head office in Chicago. He will work in association with B. Y. Morris and R. R. Wilkinson, assistant managers, and Clay F. Laude, manager. The appointment is effective July 1.

Mr. Hagy is a graduate of Oklahoma State University. He started with Rain & Hail Bureau in 1950 as special agent and adjuster in Kansas and Oklahoma, and more recently he has been field supervisor of the Kansas-Oklahoma division.

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The 1960 golf tournament of **St. Louis Blue Goose** will be conducted at Crystal Lake Country Club June 24 under the direction of William R. McBride, Hanover, golf committee chairman.

"I WANT 10 MILLION MEN FOR FRIENDS"

Napoleon was no player in the minor league. He had a taste for things in large proportion. He was once credited with saying, "I want ten million men for friends."

Insurance is a business of people; it is also a business of numbers. People make it grow, numbers make it big. Perhaps the secret of grandiose results in the arithmetical equation of this business is nothing more dynamic than the mere touch of friendship . . . inspired by a high degree of confidence and stability.

At Leo B. Menner & Company we have a particularly interesting philosophy about insurance. It has nothing to do with size, or quantity or numbers. But it has a lot to do with friendship. We like to feel that every recruit to our banner—whether it all starts by an inquiry, a personal visit or an order—enjoys a new and friendly business experience.

Whatever the problem, we try to put things in their proper perspective. Large or small, each Lloyd's risk is a challenge to our particular brand of creativity. It is given personal attention, top priority. For here craftsmanship and friendship combine as a "way of life." The whole man is challenged by the whole job.

We make mistakes, we are not perfect. But we believe it is a reasonable formula for making the "first million" friends.

We serve agents, brokers and insurance companies.

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Perce In New Post; Three Others Named By Atlantic Mutual

Atlantic Mutual has promoted Robert M. Perce, vice-president, to a new post at the home office, where he will have general supervision of the production and business development activities of the companies on a national basis. Mr. Perce had been general manager of the midwest division in Chicago.

Philip F. Ruth, who had been assistant general manager there, has been named vice-president to succeed Mr. Perce.

John J. Mackowski, manager of the Detroit office, has been transferred to Chicago as assistant general manager of the midwest division. Succeeding Mr. Mackowski as manager at Detroit will be Richard Stratton.

Mr. Perce, who joined the group in 1951, was appointed general manager of the midwest division in 1952 and vice-president and general manager of the division in 1955.

Mr. Ruth has been with Atlantic since 1936 when the companies established the fire department. He was named assistant secretary in 1950, and assistant general manager of the midwest division in 1955. In 1959, Mr. Ruth was appointed assistant vice-president.

Mr. Mackowski joined Atlantic in 1951. He advanced from marine state agent to branch manager at Detroit. Mr. Stratton joined the group in 1956.

Agricultural Adopts New Budget Program

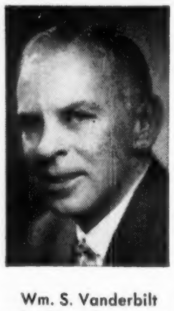
Agricultural has introduced a new premium financing program known as Assured Budgeter Plan. Agents of Agricultural, Anchor Casualty and American Empire can finance accounts through Assured Service Corp., a group affiliate.

The plan features prepaid commissions, low monthly payments, interest charges of 6% or less, with no other charges, and choice of payment terms, ranging from six to 36 months.

Additional premiums of more than $15 can be budgeted with no down payment and with no new agreement needed.

Vanderbilt Retiring From Hartford Fire

William S. Vanderbilt, vice-president and secretary of Hartford Fire, is retiring July 1 after 40 years with the company.



Wm. S. Vanderbilt

He joined Hartford Fire in 1920 and was elected assistant secretary in 1935, secretary in 1941, assistant vice-president in 1950 and vice-president and secretary in 1953. During his career he supervised various specialty and agricultural coverages, and in recent years all lines in upstate New York.

Mr. Vanderbilt is a past president of Rain Insurance Assn. and former eastern chairman of Crop & Hail Insurance Assn. He served on the public relations committees of National Board and of Eastern Underwriters Assn. He was also chairman of the former advertising committee of Hartford Fire. He is a director of Connecticut Chamber of Commerce, and a member of the national affairs committee of Greater Hartford Chamber.

Mr. and Mrs. Vanderbilt, West Hartford residents for more than 30 years, will retire to their Weston, Vt., farm.

Oklahoma Pond Elects Hart Most Loyal Gander

Willis A. Hart, American group, was elected most loyal gander at the annual meeting this month of Oklahoma pond of Blue Goose at Oklahoma City. Other officers elected were S. Allen Tillotson, Aetna Fire, supervisor; Harley J. Ballew, Oklahoma Inspection Bureau, custodian; Gordon D. Fransen, St. Paul F.&M., guardian; Malcolm McCarty, Home, keeper, and Leonard P. Gray, Oklahoma Inspection Bureau, wielder.

Richmond (Va.) Assn. of Insurance Agents elected S. Strother Smith Jr., as president to succeed Ralph W. Howe. J. Robert Bond was named vice-president, and Ervin Hall secretary-treasurer.

Leslie Comments On Allstate's Non-Can

William Leslie Jr., general manager of National Bureau, has replied to a letter from Mortimer L. Nathanson, chairman of Greater New York Insurance Brokers Assn., calling on bureau companies to "meet the competition "of Allstate's non-can automobile program in New York.

Mr. Leslie said: "I believe a careful reading of the Allstate announcements and advertising concerning their non-cancellable program should furnish your members with plenty of ammunition to warn their clientele of important loopholes, for you will note that non-cancelability does not set in until 90 days from policy issuance, and even then is voidable for a series of specified circumstances.

"I hope that most of your members have been doing business with reliable bureau companies who do not emerge in initial screening of risks by means of wholesale cancellation. Some of our competitors have," Mr. Leslie said.

He noted that National Bureau and National Automobile Underwriters Assn. are developing a soundly based competitive automobile program and expect to introduce this tested program in other states when results to date have been studied.

Midland National Examined, Claim Reserves Excess Noted

The Illinois department has completed its examination of Midland National of Chicago for the period Jan. 1, 1957-Dec.31, 1959.

At the latter date, Midland National had a net surplus of $361,071 and capital of $360,000. Admitted assets amounted to $2,935,832 and the company was in a highly liquid position with 59.9% in bonds, 26% in cash and bank deposits, 4.4% in stock, 7.4% in reinsurance recoverable and only 1.8% in agent balances.

Kurt Hitke is president of Midland National. Vice-presidents are William K. O'Connor and John H. Buckley; secretary, Robert L. Dahme, treasurer, Robert K. Hitke, and Louis Ginzer, assistant treasurer.

The examiners note that the retrospective development run on claims open Dec. 31, 1958, with development of Dec. 31, 1959, indicated an over-all excess of 24.3% for the 1958 open claim reserve and that there had been no change in the reserve practices in 1959, indicating a similar excess in reserves at the end of last year.

Allen Wins First Annual Award Of N. C. Field Club

Stock Fire Insurance Field Club of North Carolina has given its first annual award for distinguished service to Michael G. Allen, Loyalty group.

The new award is entitled the "Cap" Smith Trophy in honor of K. R. Smith, state agent Hanover.

Mr. Allen joined Firemen's after the war and moved to the North Carolina field in 1955. He was program chairman of the field club last year.

Nominations for the award are made by secret ballot of the entire membership.

Akron-Canton CPCUs Elect

Akron-Canton (O.) CPCU chapter has elected Charles L. Horn, Canton, president; James A. Ward, LeRoy, vice-president; Richard K. Jones, Wooster, secretary, and Dale M. Holwick Jr., Canton, treasurer.

Sargent Is Chief Jefferson Officer As Wollner Retires

Joseph W. Sargent, president of Jefferson, has been named chief executive officer, following the retirement of Max Wollner, as chairman. John H. G. Pell, managing partner of the New York investment counsel firm of the same name, has been named chairman to succeed Mr. Wollner who continues as a director and trustee.

Joseph W. Sargent

Hans R. Pollak has been appointed vice-president and treasurer.

Mr. Sargent began his insurance career in 1925 with Scottish Union. He joined Home in 1942, and in 1948 became underwriting manager of the eastern division. He later became head of fire and allied lines underwriting for London Assurance and then deputy U. S. manager of that company and executive vice-president of Manhattan Fire & Marine before joining Jefferson in 1957.

Mr. Pell was active in estate management before forming his investment counsel firm. Mr. Pollak has held various positions in Europe and the middle east for Adriatic.

Nationwide Enjoined From Using Word 'Securance'

Temporary injunction has been granted to restrain Nationwide Mutual, Nationwide Life, Nationwide Mutual Fire, Heritage Securities and Approved Finance from using the word "Securance." The suit was filed in Sandusky County common pleas court at Woodville by L. P. Younker and H. L. Howard and Securance Service, Woodville. They asked in court to protect the mark "securance" they have been using in the sale of insurance and insurance service since Aug. 1, 1956. They state the word is a combination of the words "security" and "insurance" and seek the exclusive right to continue using it.

St. Paul F.&M. Appoints

St. Paul F.&M. has appointed Francis M. Mitchell marine special agent in Chicago where he will work with Chicago Manager E. R. Sherwood.

General Agents Given Marketing Facts; Customers Learning Company Brand Names

The public is becoming aware of insurer's brand names through national advertising, and agents will find the name of the company represented. This situation was confined until recently to the life business, Sedgley Thornbury, vice-president Agricultural, declared in a talk at the annual meeting of American Assn. of Managing General Agents at Sea Island, Ga.

A. L. Peirson Jr., president Massachusetts Bonding, traced the unsuccessful attempts of "New England interests" to gain control of his company. He warned that if many small and medium companies, which cannot afford to use branches and therefore operate through general agents, disappear through merger or acquisition, the general agents will find it difficult to replace their markets.

Lewis A. Vincent, general manager National Board, traced that organization's contributions to the business, particularly with respect to prevention of catastrophic losses—the chief threat to underwriters.

Unforeseen Developments

Nuclear progress will bring unforeseen developments, Mr. Vincent noted. Already, a surprising number of industrial concerns are using radioactive materials. It is possible to keep abreast of such changes. Where statutory regulation is necessary, it is essential that properly drawn codes and ordinances be made available. This is part of the board's work.

Reed Penington, Denver, was named president to succeed Langdon C. Quin Jr., Atlanta. Other officers named are John H. Crowther, Minneapolis, and George W. Hardin, Jacksonville, vice-presidents; and John A. Bunting, San Francisco, chairman of the executive committee. B. L. Udell, Phoenix, was renamed secretary-treasurer.

Brand Name Significance

In his analysis of marketing, Mr. Thornbury declared that brand name preference has great significance for general agents as well as companies. It emphasizes that appointments of quality agents, and the continuing production of profitable volume will be difficult unless a company's name is established.

This is not only a problem for the managing general agency, but also for the companies which do not have a sufficient national volume and a large, well distributed sales force to justify use of national advertising media. Each company of this type will have to work out its own course of action, Mr. Thornbury observed.

Since his company cannot economically use consumer advertising, it has reevaluated its institutional ad program in the insurance press to establish a definite corporate image in the minds of the maximum number of potential agents. Agricultural is also creating an atmosphere that will appeal to present agents. This campaign, of course, will be backed up by performance.

New Era For General Agents

The new advertising will also be supplemented by direct mail promotional effort and the continuing personal calls of field men who make the "final sale." Mr. Thornbury commended this approach for use by general agents.

He declared that the idea of product uniformity is dying out, and this era of individuality presents many problems to general agents who must adapt their operations. In all probability, the package policies of the various companies they represent will not be the same. The general agency field men will have a tough job promoting the advantages of one over the other. The general agency may need a field man for each company it represents. Eventually, it may represent fewer companies, and it is conceivable that some general agencies will need only one.

Package policies will be tailored to regional needs, Mr. Thornbury believes. Some will sell in several states, but not in others. This means that the general agent, supervising a state or group of states, will have to be close to the market. He will have to let his companies know what is needed and what will sell at a profit.

Many general agencies probably do not have the talent and the staff necessary for this job, and they will probably have to work more closely with their companies in sales planning and development. Frequently, small local companies "take the ball" on a particular item, and make real inroads in the better agencies for the better business. Companies like his are thinking more and more on this regional basis, Mr. Thornbury noted.

Must Capitalize On Flexibility

His company must capitalize on its advantage of flexibility. It must use ingenuity and make major decisions reasonably fast to avoid being caught between the giants and the small but aggressive independents.

Through discussions with their companies, general agents can develop new policies and new coverages that will enhance their own and their companies' position. The general agents can explore new markets and how to reach them. They must become a part of the management team. In doing so, they will not lose their independence. They will become an indispensable part of management.

Agents and companies can argue

(CONTINUED ON PAGE 36)

National Fire Names Grigsby And Maberry To Head Detroit Office

W. H. Grigsby and T. B. Maberry have been appointed associate managers of Detroit-Wayne County and eastern Michigan for National Fire.

Mr. Grigsby was with Ohio Inspection Bureau from 1951 to 1954 when he joined National as special agent in northeast Ohio. In 1957 he was transferred to Toledo to open a new field office and he was promoted to state agent in 1958.

Mr. Maberry had home office and field experience with another company before joining National in 1956 as special agent in Oklahoma. In 1958 he was promoted to state agent in Tennessee.

Continental Cas. Names Carroll

Continental Casualty has appointed Thomas Carroll engineering manager at Detroit, replacing Joseph Osterman, who has been transferred to Cleveland. Mr. Carroll has had 15 years experience in engineering and safety work.

G. D. Suter Retires After 25 Years With Ark. Rating Bureau

LITTLE ROCK—George D. Suter, assistant manager Arkansas Inspection & Rating Bureau, has retired after serving with the organization for more than 25 years, first as its chief engineer and ultimately as assistant manager.

Mr. Suter started his career with the National Board in 1919 in New York on return from service in World War I. When the Chicago office was opened in 1920, he was assigned there until 1925 when he joined the Arkansas bureau as chief engineer.

In 1935, he resigned from the bureau to join Cotton Engineering & Inspection Service, New York. In 1943, following the death of the late T. F. Baker, he returned to the Arkansas bureau in a managerial capacity.

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Fontron-Fee agency of Hutchinson, Kan., has moved into its own building, a new $60,000 downtown structure at 30 West Sherman Street.

America Fore Loyalty Advance Seen In 1960

J. Victor Herd, chairman of the America Fore Loyalty group, predicted underwriting profits for the companies in 1960, an investment income of about $3.60 per share, and a total per-share income in the $4 to $5 range. He told the financial men that Continental's strategy in the past five years has been to wait out the down side of the underwriting cycle and at the same time to simplify operations by absorbing into the group companies acquired during that period.

Mr. Herd told how the "double-headed monster"—America Fore and Loyalty—had had two separate stockholder groups and four separate structures in tax treatment. With the groups now working as a single operation, an increase in efficency has resulted.

Notes Decentralization Trend

Mr. Herd noted a trend toward decentralized operations in the group. He said automation had made semi-autonomous regional offices possible.

In a question and answer period, Mr. Herd was asked about the possibility of Continental buying a life company. He said Continental could finance such a move only by an exchange of stock. Since the company is now selling at a discount, such an exchange would be disadvantageous to stockholders, Mr. Herd said. He added he did not rule out the idea, however.

Asked how well his company's investment portfolio stood up against the fall of the market in the first months of 1960, he reported that net asset value per share dropped from $66.31 on Dec. 31, 1959, to $62.10 at the end of March, 1960, but part of the loss has been recovered since then.

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$525,000 Judgment Against Single Individual Awarded In Mich. Injury Suit

FLINT—What is believed to be the largest damage award ever granted in Michigan in an injury case was recorded in Genesee county circuit court here last week. Judge Louis D. McGregor awarded a $500,000 default judgment and a supplemental $25,000 judgment for medical and hospital expense to the father of a 16-year-old boy wounded in a freakish accidental shooting. The judgments were against Jack O. Morgan, a local factory worker. He admitted to officers that a .22 calibre rifle was fired accidentally by him while he was cleaning it in a bedroom of his home. The bullet went through a thin wall and struck Gordon T. McManus, a playmate of Morgan's son. The bullet lodged in the youth's brain and physicians say it cannot be removed. It has incapacitated the boy. Judge McGregor ruled Morgan was guilty of gross negligence. The suits filed had asked aggregate damages of $2 million.

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St. Paul F.&M. Makes Five Florida Changes

St. Paul F.&M. has made five changes in Florida. Florida manager Austen D. Brown has moved from Tampa to Jacksonville. State Agent E. J. Smith will handle the central territory from Orlando. Special Agent G. L. Parker has been transferred from Tampa to Ft. Lauderdale where he will assist State Agent R. W. Barrett. State Agent J. B. Black will supervise southwestern Florida from Tampa. State Agent F. W. Brundick III will travel north Florida from Jacksonville.

N.E. Mutual Fire Assn. Elects Goff President

Francis S. Goff Jr., vice-president and secretary Providence Mutual Fire, was elected president of Mutual Fire Insurance Assn. of New England at its annual meeting in Boston. He succeeds Harvey MacArthur, president Quincy Mutual Fire.

Francis S. Goff Jr.

Arthur W. Benson, Pawtucket Mutual, and R. Burton Forbes, Attleboro Mutual Fire, were named vice-presidents.

Raymond B. Morrison, Holyoke Mutual Fire, was elected to the executive committee.

Renamed as staff officers were William N. Woodland, executive vice-president, secretary and treasurer; Wesley G. Angell, vice-president, and Ethel M. Pratt, assistant secretary and assistant treasurer.

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Would Amend Nuclear Act

Atomic Energy Commission has recommended to the joint committee on atomic energy that the atomic energy act be amended to eliminate liability coverage for damage to property at the site of and used in connection with a "licensed activity." The indemnity would continue to cover such liability for damaged property at the site of an AEC "contract activity."

The proposal was submitted for inclusion in a so-called atomic energy omnibus bill.

Advocates Return To Fundamentals Of Loss Adjustments

A return to the fundamentals of loss adjustment practices was advocated by B. P. L. Carden, general adjuster of the National Board, who addressed National Assn. of Independent Insurance Adjusters at Colorado Springs. Too many adjusters today, he said, are more interested in making money rather than earning it and they tend to ignore the fundamentals for the sake of saving time.

Mr. Carden outlined the basic qualifications in making sound loss adjustments. Of primary importance, he said, is a knowledge of the insurance contracts to determine whether the claim comes within the coverage. Often adjusters are confused by questions of coverage, and they arrive at their decisions without making inquiries of the company. They fear that displaying a lack of knowledge belittles them. He urged his listeners to forget such fears and not to hesitate to solicit the company's instructions on all occasions of doubt.

The adjuster must have the ability to prepare his own figures on a loss or to check out insured's figures. Often adjusters will delegate this function to someone else, possibly because they don't know how to do it themselves or they don't have the time. Because the business is competitive, few adjusters will decline an assignment even though they are deluged with work. "Too many losses can result in too little time devoted to each loss, and too little time on a loss can only result in poor adjustments, which are not in the best interests either of the companies or of the insuring public," he declared.

Mr. Carden espoused the old-fashioned method of preparing figures, in which the adjuster, in consultation with insured, determines the scope of the work to be done and prices the work in accordance with the repair costs. Upon reaching a loss figure, the adjuster informs insured that he has the privilege of bringing in his own expert. Today, too many adjusters bring in experts to prepare the figures and determine the work to be done. This gives insured the impression that he has no responsibility himself in the matter. Mr. Carden said he was not inferring that experts should not be used, but that he was reproaching the increasing dependence on them.

Not Always Followed

Although companies desire inspection of any loss assigned to an adjuster, this basic requirement is not always followed, he lamented. If adjusters have not been able to inspect losses, he said he trusted that they would indicate this on the closing papers.

A number of proofs of loss contain no information pertaining to value, or if they do, the figure used is the same as the amount of the policy, Mr. Carden declared. "Obviously, this can be correct but in a few instances," he said.

Discussing the handling of salvage by adjusters, he exhorted his listeners never to personally dispose of salvage unless specifically instructed to do so by the company. Sound adjusting practices, he said, call for company-owned salvage facilities.

Adjusters who take advantage of replacement cost coverages by disregarding the potential repair possibilities can cause trouble. "Replacement cost coverages do not eliminate the propriety of repairing damage when this can be done satisfactorily," he warned.

As a summation of his talk, Mr. Carden presented a number of recommendations for sound adjustment practices made by the National Board committee on adjustments.

Gold Recommends Single Unit For Assigned Risks

Revision of the compulsory automobile insurance law in North Carolina to provide for a single insurer to handle all assigned risks was recommended by Commissioner Gold in a talk before the Greensboro Kiwanis Club. Or, he suggested, the insurers writing assigned risks in the state could form such a company. The compulsory auto law's term on the statute books ends next year.

Mr. Gold said he recommended a single insurer for assigned risks because the present method of handling them by individual insurers is confusing and scatters the statistics among companies operating throughout the country. The AR data thus is never readily available.

Health Insurance Needs Are Equal To Life: Osler

Integrated programming of life and health insurance is essential to protect families when the breadwinner becomes physically or economically dead, said Robert W. Osler, president of Underwriters National, at the annual convention at Chicago of International Assn. of A&H Underwriters.

Agents don't know what a poor job they are doing until they realize what can be done when they integrate life and health programming, he said. "The biggest mistake being made is the presentation of life and health insurance as two different things. When you do, you emphasize one at the expense of the other, and there are no priorities as between life and health coverages—no priorities because they are equal to each other."

States Basic Problem

The basic problem confronting family security is not death nor disability, but rather loss of income. "What causes the loss makes no earthly difference in the economic result," he declared.

In enumerating the income needs when a man dies, he led off with the clean-up fund, remarking that "It is impossible to set up a sound clean-up fund with life insurance alone." The first expenses are usually for funeral, lot and marker, but there are usually unknown bills, too. Since most men don't die instantly, they create additional expenses of doctors, nurses, drugs and hospitalization. These expenses are always unknown and cannot be handled with a fixed fund. Therefore, medical expense coverage is needed.

If a man has a mortgage life policy, he said, it is only logical that he should have mortgage health protection. "Are you going to stand there and say to the man, 'If you die, I'll take care of

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North America Names Boggs Ad, PR Manager

North America has named Samuel R. Boggs II public relations and advertising manager. He succeeds Frank G. Harrington Jr., who was recently named secretary.


Samuel R. Boggs II

Mr. Boggs joined the public relations department in 1955, and in 1957 he was advanced to assistant department manager. Before joining North America, he was with duPont Co. as a sales correspondent. Prior to that, he was with Thomas Cook & Son as a director of European travel. He is a graduate of North America's school for agents.

Market Men's Mutual Suit Settled For $100,000

Two breach of contract suits totaling $900,000 against Market Men's Mutual of Milwaukee and several of its officers have been settled for $100,000.

The plaintiffs were Leonard A. Wolf of St. Paul and Raymond E. Johnson of Milwaukee. Mr. Wolf asked $750,000 for breach of contract and $6,031 in unpaid commissions and an injunction to restrain the company from interfering with his business operations in Minnesota. Mr. Johnson asked for $150,000 damages and termination pay, charging that Market Men's Mutual intended to take control of a credit union business he organized in Wisconsin and Kansas.

The settlement also includes dismissal of Mr. Wolf's suit in which he accused five insurance men of having conspired to deprive policyholders of control of the Market Men's Mutual. These defendants included M. R. Polland, L. E. Fonteine, H. M. Gilboy, P. J. Fox, and Peter Poland, son of M. R. Polland, and Market Men's Management Agency of Milwaukee.

The $100,000 settlement is reported by the papers as being perhaps the largest ever paid in Milwaukee in a breach of contract action.

Minn. CPCUs Elect

Minnesota chapter of CPCU has elected Robert E. Armstrong, State Farm Mutual, president. Others elected are Richard A. Franzen, Wirt Wilson & Co., vice-president; Roland H. White, Anchor Casualty, secretary, and Frank I. Butterworth, Maryland Casualty, treasurer.

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New Wis. Company Licensed

The Wisconsin department has given a license to Capitol Indemnity of Madison, a multiple line company that was organized last September and has sold 212,000 shares of stock at $2.50 a share, mostly to agents, attorneys and contractors.

George A. Fait is president and chairman; F. E. Lathrop is vice-president, and Fred Rolfsmeyer is secretary and treasurer. Mr. Lathrop has been in bond departments in Wisconsin of Maryland Casualty and Hartford Accident.

Several of the directors are in the agency business in Wisconsin.

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Collects On Auto Medical After Expenses Are Paid For Free VA Hospitalization

LITTLE ROCK—Arkansas supreme court has ruled that an insurance company must pay medical benefits to which an insured is entitled even though he may have been eligible for free medical care at a veterans administration hospital. The decision is similar to rulings of this kind in several other states.

Mrs. Verna Fuller, Bonita, Ia., was hospitalized in Little Rock following an automobile accident. Mrs. Fuller, a service veteran, was admitted to the VA hospital after signing a form stating that she was unable to pay the expenses of her hospitalization, which amounted to $1,681. At the request of the VA, she later paid the bill out of funds obtained through settlement of a personal injury damage suit.

At the time of the accident, Mrs. Fuller's husband, who died in the accident, carried a family auto policy with State Farm Mutual which included medical payments coverage. After she had paid the VA hospital bill, Mrs. Fuller sued State Farm Mutual for the amount of the bill, a penalty and attorney's fees. The company denied liability on the ground that Mrs. Fuller had not "incurred" the expense herself, that she was a veteran entitled to free care, and that the VA was without authority to make any charges against her for the hospitalization.

In a 7-0 majority opinion written by Associate Justice J. Seaborn Holt, the court cited a Wisconsin supreme court decision which held that a policyholder was entitled to recover from an auto insurer even though Blue Cross-Blue Shield had already paid his medical expenses. The Wisconsin court held that a policyholder could collect from an auto company because Blue Cross-Blue Shield had "incurred" the costs in consideration for quarterly premiums paid by him. In the same way, Justice Holt said, the government "incurred" the hospital costs of Mrs. Fuller in consideration of her services in the armed services.

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GAB Changes In Md.

The Easton, Md., office of General Adjustment Bureau has been raised to branch status, and Charles H. Lewis has been appointed manager.

Johnson At Macon For North America

North America has appointed Donald M. Johnson manager of the Macon, Ga., processing office. He succeeds George H. Heller, who resigned to enter another business.

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Conley-Myers agency of Columbia, Mo., has been formed by a merger of Conley-Myers agency and Standard agency. Co-managers are H. H. Trice, owner of Conley-Myers, and George F. King, secretary of Standard.

Western Casualty Plans To Increase Its Capital

Directors of Western Casualty have voted an increase in the authorized capital from $3 million to $5 million, subject to approval of the stockholders at a special meeting in July. The change would increase the authorized stock to 1 million shares of $5 par from the 600,000 shares presently outstanding.

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The Meritmatic auto plan of **Zurich** has been approved in Maryland.

CPCU Annals Contributors Eye Various Phases, Problems Of Safe Driver Plans

The 1960 edition of Annals, published by Society of CPCU, contains a discussion of the safe driver plan introduced in California. O. D. Dickerson, associate professor of insurance of Florida State University, contributed a probability analysis of the plan.

He points out that from a theoretical standpoint almost every merit rating plan has foundered on the fact that there is little or no credibility to a pure premium based on an exposure unit of one car. The typical driver will have a compensable accident about once every 12 years. An accident free period of 20 years is no guarantee that a driver is better than average. The safe driver plan was adopted, not on the basis of the statistical credibility of a one car exposure unit, but because of marketing, competitive and public relations motives.

An actuary might shudder at the thought of computing a pure premium on the basis of a single exposure unit. The logical outcome of this approach would be for each insured to pay his own losses—the antithesis of insurance. Thus the safe driver plan cannot be justified on the basis of conventional rate making techniques which use various bases of classification within which to analyze accident frequency and severity. It is not possible for the thing analyzed to be also the basis of classification, Mr. Dickerson observes. However, there is another approach to the plan which has logical merit.

If it is assumed that there are two or more classes of driver in the population, the plan can be regarded as a device for determining, on the basis of the observed accident record, the class to which the driver belongs. Actually, it must also be assumed that every sub-classification by territory and classification factor may be divided into these two or more classes, since the plan is superimposed on the existing system. Then, a mathematical model can be set up on the nature of these classes, and it can be determined how well the plan succeeds in identifying the poor drivers and charging them an appropriate premium, Mr. Dickerson stated.

William H. Erwin, vice-president of Pacific Employers, points out that the safe driver plan is as controversial an issue as has ever been presented to the automobile insurance business, and a company "consensus viewpoint" would therefore be an impossibility. This is apparent upon examination of only a few of the many variations of the safe driver plan that non-bureau companies have adopted. In view of the variations—and some of them are important—Mr. Erwin discussed only the basic and more important points of the plan that insurers in general—and specifically the smaller non-bureau companies—might take into account before adopting the safe driver plan.

At the outset, the safe driver plan

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Klos Inland Adjusters Manager

H. James Klos is the new manager of Inland Adjusters of Philadelphia.

A graduate of Lehigh University in 1949, Mr. Klos was with Employers Liability and Toensmeier Adjustment Bureau in Philadelphia until 1953 when he became claims supervisor of Fireman's Fund there. In 1957 he was transferred to the southern department of the Fund as administrative assistant in the claims unit.

Kansas Clains Assn. Elects

Kansas Claims Assn., at the spring meeting in Lawrence, elected A. C. Dyer, Agency Claim Service, Kansas City, as the new president. Casualty vice-president is R. L. Piper, North America, and fire vice-president W. J. Schultis, Farmers Alliance. Rudolph Bock, Employers Liability, is secretary, and Norman Spurlock, Farm Bureau Mutual of Manhattan is treasurer.

The association, now in its eighth year, has 195 members.

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Mrs. John Dunbar of Robert Cross agency has been elected president of **Insurance Women of Eugene, Ore.** Mrs. Albert Queen, General Adjustment Bureau, is vice-president; Mrs. Mark Cook, Allan & Cook, adjusters, secretary, and Mrs. Melvin Drews, Farmers Exchange, treasurer.

INSURANCE LIBRARIANS TOLD

'Terminological Chaos' Costs Industry Money

Should there be a contest among the various branches of insurance—life, health, fire marine, casualty, bonding, and the rest—as to which has the most confusing terminology, the judging would be most difficult because "all insurance seems to have succeeded in attaining terminological chaos," said President Davis W. Gregg of the American College of Life Underwriters at the insurance division luncheon during the meeting of Special Libraries Assn. at Cleveland.

"Insurance is plagued by an infernal and exasperating jungle of confusing terminology," he said. "Our 'mixed-up' language is taking a heavy toll along many lines: Countless sales are lost because the public doesn't know what we are trying to say about our products and services. Manpower development costs are doubled or trebled because trainers and teachers must explain and re-explain concepts and techniques. Stiff taxes and restrictive legislation surround us because legislators cannot seem to understand how we function."

To show that these statements are not overdrawn, Mr. Gregg took some illustrations from the main branches of insurance.

Longer To Clarify—Or Muddle

Property insurance, with its ancient categories like marine and fire insurance, has had longer than life, liability and A&S to clarify its language—or viewed in the other respect, to foul it up, said Mr. Gregg.

"There is evidence that all is not well in this area," he continued. "Have you ever tried to figure out what is meant by 'inland marine' insurance? And what about 'floater' policies so common to this field? As a homeowner, did you ever wonder about 'extended coverage' insurance; or even more interesting, the 'additional extended coverage' insurance now available?

"And what about 'casualty insurance,' a term which has always had a vague and indefinable meaning even to persons in insurance? If casualty is to be interpreted in its dictionary meaning of 'accident,' then all property insurance, including fire insurance, logically is casualty insurance."

Health insurance has its language problems too, said Mr. Gregg.

"For years, even we in insurance have struggled to find the appropriate generic term for the entire field," he observed. "At one time 'accident and health' seemed to be the accepted term. Then along came 'health and accident,' 'accident and sickness,' 'sickness and accident' and 'disability' as alternatives. A close examination of the variety of terms now employed by companies, associations, text writers and others would be funny, were it not so sad.

'Commercial' Sounds Mercenary

"Did you ever stop to wonder what effect there might be on the public's mind of the designation of private health insurance companies as 'commercial' health insurers, especially when contrasted to 'voluntary health plans' or 'non-profit health insurance'? Is it possible that the label 'commercial' has prejudiced private company activities in legislative and labor-union halls?

"Compare sometime the contracts and sales promotion materials of private insurance companies and Blue Cross plans. Most likely you will find the latter written in simple, understandable, non-technical language, whereas the former will be filled with technical insurance jargon. The benefits may be essentially the same; the language is almost always different. Is it possible that tradition puts us at a disadvantage and that if we really wanted to, we could escape from these shackles?

Examples In Health Field

"The field of health insurance can serve up many more illustrations. Take just one more, however: What do you suppose 'non-cancellable guaranteed renewable disability income' means to John Doe and Richard Roe?

"Life insurance," he said, "can be proud of its generic label. It's a positive term, emphasizing living aspects instead of the death aspects. The term is simple, meaningful and thus widely accepted and understood.

"However, take a look at the commonly used terms for the major branches of life insurance business: ordinary, industrial and group. Group insurance is a usable and understandable term, but what about the other

(CONTINUED ON PAGE 27)

Bureau Auto Plan Working: McWilliams

The safe driver plan and special auto policy are providing the agents with a valuable merchandising weapon with which to recapture business lost to deviating companies in recent years, James R. McWilliams, manager of National Bureau's automobile division, told Maryland Assn. of Insurance Agents at the midyear meeting in Ocean City. He urged Maryland producers to merchandise the program aggressively. The program was approved in Maryland June 1.

He said that it has been disappointing that approximately 50% of the special policy purchasers in other states made no change in their liability coverage. Mr. McWilliams suggested that agents point out the additional protection that may be purchased for the same premium the prospect already is paying.

Much has been said about the requirement that the applicant must personally sign an application. The bureau's marketing research consultants investigated and found that "only an insignificant percentage of the customers was opposed to the signed applications," Mr. McWilliams said. He pointed out that the signed application produces an important benefit—in effect it assures the accurate classification of insured. For years companies have lost premium dollars as a result of inaccurate classification.

"In most cases," he said, "we were quick to be informed where the insured was entitled to a lower rated classification, for example when the minor son or daughter was no longer residing in the household. But in those cases where the son or daughter had reached driving age, or was perhaps the principal operator of the second car in the household, the record was often unaccountably silent."

No one knows how much this cost the insurers, he commented. But the signed application is giving the companies an idea of how truly significant this problem has been.

Producers have received the direct billing feature of the program with mixed emotions, Mr. McWilliams observed. However, in general, agencies using the direct billing facilities have nothing but praise for the operation. Many say that it saves labor in their offices and enables them to get in touch with clients for something besides collection of premiums. Also, companies and agents are finding that more than 90% of the premiums are paid before due date and, following the reminder notices, almost 100% are paid on or before that time.

A recent study shows that more than 50% of the policyholders that take the program have been with deviating insurers. In some states 10 to 20% of those buying the policy under the safe driver plan have been previously uninsured. The new program is reaching age groups considered the most desirable by underwriters and is reaching the middle income group of drivers. A large portion is coming from suburban, small city and rural areas.

The companies are convinced that the new program, if properly and enthusiastically merchandised, will keep the agent's present business, get him new auto volume and give him a chance to secure other lines from old and new customers—in many cases even entire accounts.

Minn. High Court Rules Salesman Is Vendor, Not Employe; No WC Cover

ST. PAUL—A precedent for workmen's compensation insurance has been set by Minnesota supreme court in the reversal of the state industrial commission award to the widow of a traveling salesman who handled products of the J. R. Watkins Co. of Winona, Minn.

The commission had ruled that Raymond Geerdes was an employe of Watkins Co. when he died of a heart attack while trying to free his car from a snowdrift. The widow was awarded $23.66 a week in benefits but Watkins Co. and its insurer appealed. The supreme court held that the relationship between Watkins Co. and Geerdes was not employer-employe, but vendee-vendor. Watkins Co. has about 15,000 salesmen scattered throughout the world and for that reason the decision is regarded as an important one.

The court in effect ruled that Geerdes was an independent, self-employed individual who purchased goods from Watkins and managed his own business. The Minnesota WC act does not cover vendor-vendee relationships.

Drug & Chemical Club To Shut Down During July

The Drug & Chemical Club in New York, of which most of the members are insurance people, will be closed during July for redecoration and refurnishing. During the shut-down, members may use the Lawyers' Club at 115 Broadway and Bankers Club at 120 Broadway by signing and providing the audit number.

Stuart H. Richardson, resident vice-president of St. Paul F.&M., is president of Drug & Chemical Club.

Eyes UM Problems, Cites AR Results

A thorough analysis of the auto liability and uninsured motorist problem was presented by Roy L. Ewen, assistant secretary of United Fire & Casualty, at the annual meeting in Davenport of Iowa Assn. of Insurance Agents. He participated in a panel discussion conducted by eastern Iowa chapter of CPCU.

Mr. Ewen said that when the uninsured motorist problem arose after World War II, the Iowa Assigned Risk Plan was established. The founders of the plan thought that the number of applicants would be high the first year but considerably lower in the future. However, 1,690 applied for insurance the first year, and the number of applicants has increased annually, with 6,141 applications in 1959.

Some of the AR problems could be solved by reducing or eliminating the agent's commission, Mr. Ewen said. He noted that in Florida the minimum commission on private passenger AR is 15%. Since most companies are paying 10% commission on class 2C business in Florida, it is only natural that most of the young drivers are going to be assigned.

In New York City, he went on, approximately 20% of the cars are insured through the AR plan. Last year, 70% of the male operators under 25 were assigned. In North Carolina, which also has compulsory, one of the leading insurers had a larger volume in 1959 through the AR plan than through agents.

Spur To Agents

Mr. Ewen believes that agents would try harder to place coverage outside the AR plan if they were to receive little or no commission on AR business. More than a million cars are insured through various plans, and the annual premiums exceed $100 million. It is easy to understand concern over the threat of state funds.

Wisconsin has tried to solve the youthful driver problem by giving credit to companies which voluntarily write them, Mr. Ewen noted. As a result, most of the principal auto companies receive no regular assignments. The second largest auto writer in that state has had two risks assigned in the seven years the youthful driver supplement has been used, and has such a large credit balance that the company does not anticipate future assignments. North Carolina is adopting a similar amendment to its AR plan and, undoubtedly, more states will follow. Perhaps the idea could be extended to allow credit to a company for each risk it wrote on a voluntary basis at the end of the three year assignment, Mr. Ewen suggested.

He is convinced that if the youthful driver supplement were adopted in Iowa, and the AR commission reduced to 5% or eliminated, the number of applicants to the plan would drop at least 50%. The uninsured motorist is a problem to the whole business, not

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Money Saving Master Cover On Fla. Schools By American Casualty

American Casualty has written a large public schedule of fire, extended coverage, vandalism and malicious mischief coverage under a master policy and self-rating plan initiated by H. S. Brannen, Miami agent. The policy for the Dade county school board was written for $101,045,000 with a five year premium of $828,929. This is 52.06% below the former rates on the school board schedule.

The master company plan evolved by Mr. Brannen, who is consultant to the board, combines several hundred policies, with various expiration dates over a period of five years, into one policy. This makes possible one invoice, one entry, one check, one posting and one loss check for insured in lieu of hundreds of these items, including loss checks for as little as 5 cents. Paperwork on loss settlements is greatly reduced.

Must Assume Responsibility

The master company must assume all responsibility for correct rates, forms, values, prompt settlement and payment of losses. It may be called on to advance large sums long before recovery from reinsurance. The master company places reinsurance at no profit to itself, and in turn must guarantee fully the solvency of every reinsurer.

Since the company must assume responsibility for every reinsurer, the highest standards of policyholders and financial rating have been established. In addition, companies, with few exceptions, have been required to be entered in New York.

A self-rating feature gives credits for size of premium, for distribution of risks, and for deductible features where public interest permits. Certain other factors result in a balanced rate policy in which insured's loss ratio and volume of new construction quickly balance themselves with the policy rate. Although Florida is first in this development, it seems likely that other states will follow.

The new plan provides the answer to various competitive onslaughts from out-of-state, direct writing mutual companies. Offers of large discounts have been made, but the usual problem has arisen concerning assessability of mutual policies and a public body's legal right to buy them. Under the master company plan considerable latitude remains for placement of insurance through local agencies other than the servicing agent. This is done by placing reinsurance with qualified companies which are locally represented. A servicing agent is inseparable, however, from the new plan. No company would wish to expose itself as the front company, and no insured of any consequence should wish to deal primarily with anyone, except a fully qualified servicing agent, Mr. Brannen declared.

He developed the plan after several years study, using for investigative purposes the building and contents schedule of the Dade county school district—sixth largest in the U.S. Rapidly increasing insurable values in the district had made premium payments difficult.

Allstate Puts Its Non-Can Auto Plan In New York State

Allstate has introduced its non-cancellable and guaranteed renewable auto liability insurance in New York. The program has been effective in Illinois and Ohio since May, and with the addition of New York now affects about 20% of Allstate policyholders. A "good driver plan"—effective in several other states—has also been introduced in New York.

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New directors of **Lumbermens Mutual Casualty** are Harris Perlstein, chairman Pabst Brewing Co., Clarence H. Shaver, chairman U. S. Gypsum Co., and H. Burling Naramore, president Bridgeport Fabrics.

Conventions

June 19-22, Insurance Advertising Conference, annual, Biscayne Hotel, Key Biscayne, Fla.

June 21-23, Wisconsin agents, midyear, Androy Hotel, Superior.

June 23-25, Carolinas mutual agents, annual, Ocean Forest Hotel, Myrtle Beach, S. C.

June 26-29, Virginia agents, annual, Cavalier Hotel, Virginia Beach.

July 7-9, International Assn. of Insurance Counsel, annual, The Greenbrier, White Sulphur Springs, W. Va.

July 17-20, Consumer Credit Insurance Assn., annual, The Greenbrier, White Sulphur Springs, W. Va.

July 22-28, National Assn. of Claimants' Compensation Attorneys, annual, Jack Tar Hotel, San Francisco.

August 7-12, Honorable Order of the Blue Goose, annual, Sheraton Cadillac Hotel, Detroit.

August 14-17, West Virginia agents, annual, The Greenbrier, White Sulphur Springs, W. Va.

August 15-17, Texas mutual agents, annual, Hotel Galvez, Galveston.

August 22-24, International Federation of Commercial Travelers Insurance Organizations, annual, Queen Elizabeth Hotel, Montreal, Canada.

August 24-27, Federation of Insurance Counsel, annual, Bellevue Stratford Hotel, Philadelphia.

August 25-27, Montana agents, annual, East Glacier Lodge, Glacier Park.

August 28-30, Wyoming agents, annual, Wort Hotel, Jackson.

Sept. 6-8, Maine agents, annual, Samoset Hotel, Rockland.

Sept. 7-10, Alaska agents, annual, Mt. McKinley National Park.

Sept. 11-14, National Assn. of Mutual Insurance Companies, annual, Olympic Hotel, Seattle, Wash.

Sept. 12, Vermont agents, annual, Basin Harbor Club, Vergennes.

Sept. 12-13, Utah agents, annual, Hotel Utah, Salt Lake City.

Sept. 12-16, International Union of Marine Insurance, conference, Shoreham Hotel, Washington D. C.

Sept. 13-16, Mutual Loss Managers' Conference, Roosevelt Hotel, New Orleans.

Sept. 14-16, Michigan agents, annual, Pantlind Hotel, Grand Rapids.

Sept. 15-16, Minnesota agents, annual, Pick-Nicollet Hotel, Minneapolis.

Sept. 18-20, New Hampshire agents, annual, Mount Washington Hotel, Bretton Woods.

Sept. 18-21, Idaho agents, annual, Sun Valley Lodge, Sun Valley.

Sept. 19-20, Minnesota mutual agents, annual, Pick-Nicollet Hotel, Minneapolis.

Sept. 19-21, Washington agents, annual, Olympic Hotel, Seattle.

Sept. 21-23, Canadian Federation of Insurance Agents & Brokers Assns., annual, Mont Tremblant Lodge, Mont Tremblant, Quebec, Canada.

Sept. 21-23, Oregon agents, annual, Sheraton-Portland Hotel, Portland.

Sept. 26, New Jersey agents, annual, Hotel Traymore, Atlantic City.

Sept. 26-28, National Assn. of Insurance Agents, annual, Chalfonte-Haddon Hall, Atlantic City, N. J.

Oct. 2-5, National Assn. of Casualty & Surety Agents & Executives, combined annual, The Greenbrier, White Sulphur Springs, W. Va.

Oct. 8-11, Kansas agents, annual, Broadview Hotel, Wichita.

Oct. 13-14, Conference of Mutual Casualty Companies, sales & agency meeting, Conrad Hilton Hotel, Chicago.

Oct. 16-18, Maryland agents, annual, Hotel Emerson, Baltimore.

Oct. 16-18, Ohio agents, annual, The Neil House, Columbus.

Oct. 17, Rhode Island agents, annual, Sheraton-Biltmore Hotel, Providence.

Oct. 17-18, Arizona agents, annual, Pioneer Hotel, Tucson.

Oct. 17-19, Wisconsin agents, annual, Schroeder Hotel, Milwaukee.

Oct. 18-19, Massachusetts agents, annual, Sheraton Plaza Hotel, Boston.

Oct. 21-23, Colorado agents, annual, Broadmoor Hotel, Colorado Springs.

Oct. 22-27, National Assn. of Mutual Insurance Agents, annual, Statler Hotel, Washington, D. C.

Oct. 23-25, Missouri agents, annual, Governor Hotel, Jefferson City.

Oct. 24-26, California agents, annual, Sheraton-Palace Hotel, San Francisco.

Oct. 26-28, Nebraska agents, annual, The Town House, Omaha.

Oct. 27, Connecticut agents, annual, Statler-Hilton Hotel, Hartford.

Oct. 27-28, Kansas State Assn. of Mutual Insurance Companies, Holiday Inn. Topeka.

Oct 27-29, New Mexico agents, annual, Western Skies Hotel, Albuquerque.

Oct. 30-Nov. 1, Illinois agents, annual, Pere Marquette Hotel, Peoria.

Oct. 30-Nov. 1, Tennessee agents, annual, Andrew Jackson Hotel, Nashville.

Oct. 31-Nov. 2, Nevada agents, annual, Las Vegas.

Gilchrest Of Royal-Globe Speaks On EDP Advantages At IBM Meeting

The economic justification of large scale computers was discussed by Gordon F. Gilchrest, assistant secretary in the data processing division of Royal-Globe, at the Pittsburgh meeting of GUIDE, an association of IBM 702, 705 and 7070 customers.

Data processing machines have been used extensively by Royal-Globe since the early 1950s, Mr. Gilchrest pointed out, and the study of EDP was formally established in 1955. It was obvious early in the study, he said, that large-scale equipment, involving an annual rental of some $500,000, could be justified only by simultaneous preparedness in all of four heterogeneous general areas of application.

It was also apparent that EDP would become too expensive unless a severely disciplined attitude was enforced towards overlapping costs for equipment, personnel and space. "No parallel operations," was, in the opinion of the data processing division, the only economically sane attitude. Affected EAM equipment had to be removed from the premises, displaced personnel reassigned and floor space released.

Target Within Range

Delivery of equipment was twice postponed to achieve this state of preparedness. Starting in February, 1956, the facilities of 702 and 705 in Poughkeepsie and 705 at Chubb & Son were used for those applications that were production-ready or pilot operations.

The data processing division's equipment went on rental Oct. 1, 1957. Mr. Gilchrest said that though his division had not hit its target of complete preparedness at that time, it was within range.

The staff count of the data processing division—consisting of key punch, statistical, loss and risk experience, tabulating, electronic research and electronic operations departments—was reduced 18% within six months. To date, the total staff reduction in this area has been 33%.

EAM annual machine rentals were correspondingly reduced 21% within six months and 62% to date.

Over 9,000 square feet of floor space was released by July, 1958, and a total of 9,800 square feet by January, 1960.

Lists Pertinent Factors

In estimating the program's effect at the cash register—on a paid basis—several basic factors must be recognized, said Mr. Gilchrest:

1. An extended time interval is involved in planning for, installation, conversion and productive operation of a large-scale EDP system.
2. During this prolonged period other factors which affect costs—work loads, inflation, etc.—do not necessarily remain static.
3. The costs of the planning, development and conversion periods are additional to the cost of maintaing normal operations.
4. When viewing paid costs by years as distingushed from annual rates, the effect of savings on released equipment or reduction in personnel is not realized for one full year.

Mr. Gilchrest then showed slides of charts portraying the economic impact of EDP at Royal-Globe on a paid basis. Chart I displayed the movement of Royal-Globe written premium volume (sales) since 1950. During the interval 1950-59 the written premium had increased appreciably—important because the relationship of expenses to written premium volume is generally used in fire and casualty insurance as an indicator of expense increases or decreases.

The second slide superimposed upon the premium volume the corresponding movement of the groups total salaries, overtime and machine rental costs. Strong correlation between sustained premium increases and rising salary, overtime and machine costs was evident. The relationship of such costs to premiums is also quite apparent, said Mr. Gilchrest.

The third slide showed what has happened to data processing division costs during the same period. There was a marked rise in costs in 1956 and 1957, which Mr. Gilchrest said was caused by the planning, conversion and three months of actual operation. 1958 costs, although still continuing to rise, began to flatten out, while 1959 showed encouraging results.

In the next slide the costs of the data processing division had been extracted from the total group costs to show "how the other half lives." Mr. Gilchrest pointed out as particularly significant the continued sharp rise in 1958, in the remainder of the group, while the data processing division was leveling off, and also the much slower reduction in 1959 costs.

Another aspect of this effect was

shown in the last slide, which compared costs of Royal-Globe salary and machine rental expenses with those of the data processing division. From 1950-54 the data processing division salary, overtime and machine rental costs were .813 cents of each premium dollar, while all other salary, overtime and machine rental costs accounted for 10.352 cents. During the initial planning and development period, 1955-56, data processing costs increased to slightly less than 8 mills, while all other costs rose to 11.003 cents of each premium dollar.

The accelerated planning conversion and installation period, 1957-58, showed a marked increase in data processing division costs to over 9 mills and a continuing rise, although at a retarded rate, in all other areas. 1959 reflected the impact of the data processing cost excising efforts with a return to the 8 mill level; all other costs continued to rise to 11.295 cents —an increase of 9% over the 1950-54 period. In the same interval data processing costs have risen 3%, stated Mr. Gilchrest.

Although these charts give the impression that the use of the 705 system was intended to be a substitution of electronic equipment for mechanical and hence the economic justification was to come solely from the data processing division, this was not the case, continued Mr. Gilchrest. Of the four original areas of application, one was exclusively clerical prior to EDP and another had only a token amount of mechanical processing, he pointed out.

One phase of Royal-Globe's EDP program was the expansion of the data processing function to provide services to activities not previously mechanized and over which the data processing division had no administrative control. The objectives of this program were economic advantages as well as better service through improved accuracy and speed. Savings were effected, although not to the degree nor with the speed anticipated.

However, large enough savings were realized to put EDP in the black—annual rate basis—within 16 months following installation.

Other efforts toward a departure from previous methods took two forms said Mr. Gilchrest. The first was the development of new processing techniques to assist management in the fulfillment of their policy and decision-making functions. The second was the development and employment of "management by exception" techniques, from which no measurable economic return was anticipated.

Economic Pursuit Held Shortsighted

Pursuing economic return only is shortsighted, he maintained, in that it satisfies only one of the three basic objectives of effective data processing —attacking costs. The second basic objective—providing the means for better control of the business—must continue to be developed and demonstrated. Fulfillment of this control then prepares the way for the third and primary objective of data processing—providing tools for giving direction to the business.

Grubert To Top Chemical Post With Royal-Globe

Royal-Globe has named William E. Grubert superintendent of the chemical hazards department. He succeeds M. P. Mason, who retired after more than 36 years with the group.

Mr. Grubert joined Royal-Globe in 1945. He is past president of the New York chapter of the Society of Fire Protection Engineers, a member of the chemical explosives committee of National Fire Protection Assn. and is active in the Conference of Special Risk Underwriters.

GAB Names Six Managers

Six managers have been appointed by General Adjustment Bureau. J. H. Cannon, named at Charlotte, N.C., succeeds G. D. Holding who is retiring. J. V. Conroy, manager at Durham, succeeds Mr. Cannon at Asheville. J. G. Wolfe, senior adjuster at Greensboro, succeeds Mr. Conroy.

M. C. Zachry is named at Mobile, Ala., to succeed H. S. Trawic, resigned. R. C. Oldham succeeds Mr. Zachry at Florence, Ala. B. J. Ghigliere is transferred from Chattanooga to succeed Mr. Oldham as Decatur, Ga., manager.

L. H. Moore has been transferred from Albany, Ga., to Key West as resident adjuster to succeed C. A. Cordero who returns to Miami.

Form Delray Beach, Fla., Agency

The Beery & Brown agency has been opened at Delray Beach, Fla., by Clarence O. Beery and Harvey L. Brown. They were with the Plastridge agency there.

Competition, Lower Expense, All Lines Selling Are Trends Ahead

Casualty insurance, which has been pretty competitive in the past 10 years, will become much more so in the 1960s, Herbert P. Stellwagen, executive vice-president of North America, told Casualty Actuarial Society at its annual meeting in Skytop, Pa.

Herbert Stellwagen

For one thing, he said, specialty companies will increasingly equip themselves to operate as full multiple line insurers. They will be able to compete in the commercial field as they have done in the personal lines. That trend is already under way.

Second, it seems reasonable to expect that life insurers will not long tolerate the invasion of their field by the property-casualty companies. Sooner or later the statutory bar to their entrance into other fields will be lifted. One need only recall the suddenness and the completeness with which the wall between fire and casualty insurance was broken down 15 years ago to accept the likelihood that complete all lines underwriting will be a reality. Tens of thousands of life producers will be turned loose on the homeowners, automobile and A&S business.

Finally, there is a spirit of restlessness and independence in the air as the agency companies seek competitive equality with the direct writers. At the moment this activity centers in the automobile business but the marketing techniques involved may well spread in other directions.

Rigid Expense Control

With the expanding programs of present underwriters and the coming of new ones into the field, it will be a hard struggle for individual companies to meet their porduction goals. Competition will continue to hammer down expense ratios and, hence, price levels to the point where it will be perilous to neglect strict underwriting and rigid expense control, Mr. Stellwagen warned. The business will be fortunate to make a 5% underwriting profit in any one of the next 10 years.

Yet, he said, he was not pessimistic. Great opportunity lies ahead, but harder work will be necessary to garner its fruits.

As to the corporate structure which would most effectively deal with the competition of the '60s, Mr. Stellwagen believes the trend should be in the direction of synthesis rather than division. Simplification of corporate structure will produce savings on taxes and in coding, processing and tabulating.

Package policies have had broad public acceptance, and agencies find them profitable to sell.

Because of the enormous success of the homeowners policy, other package policies will be created and offered to the public. Several such policies now exist. To effectively underwrite and merchandise them, a merger of casualty and fire functions is absolutely necessary.

In addition, it is becoming increasingly apparent that the direct billing and premium collection of personal insurance policies is essential to the effective and economical merchandising of such insurance. In these fields a direct billing approach will attain a dominant position if not an exclusive one. Should that happen, a direct writing subsidiary originally conceived as a side show might grow bigger than the main tent. Such embarrassment would be avoided by initial integration of the two.

Responsibility Divided

As fire and casualty lines come into closer conjunction, certain problems of management arise. Underwriters in the U. S. have not developed to the point where they are equally proficient in both casualty and fire lines. The philosophy of the one, when applied to the other, has generally produced unsatisfactory results. Perhaps the best results would come from a single company, or a few companies under single ownership, with responsibilities broadly subdivided into (1) all personal lines, (2) casualty and bonding, and (3) fire and marine—each headed by an officer having complete authority and responsible only to the president.

The problem of exoense control takes on increasing urgency, Mr. Stellwagen declared. The key to such control is proper allocation of costs. Accounting systems may be so complex and capricious they tend to prove that there is no sense in writing certain kinds of insurance at all. The underwriter or the manager of a specific department is conscious of his own direct expenses and can control them, but he is apt to throw in the towel when he tries to cope with expenses allocated to him but originating in across-the-board departments such as purchasing, personnel, business development, accounting and even actuarial.

The expense of these service departments must be closely watched and contained by those who have charge over them. Furthermore, their costs must be allocated in strict conformance with the extent of the service rendered.

Business Processing Costly

One of the most vexing and costly items of expense arises from the processing of business, particularly of small policies and minor premium transactions. In a review of the business written in his company in one month, he said, it was found that, with the exception of automobile and workmen's compensation, more than half of the policies bore annual premiums of less than $50. A further analysis of absolute money value transactions showed that 34,000 out of a total of 340,000 or 10% were concerned with amounts of less than $2 and that 81% of them dealt with amounts of less than $50. The nadir in refinement was reached when 12 cards were punched for one premium item of $5.

This appalling minutiae of coding and classification exists rather gen-

(CONTINUED ON PAGE 34)

Donovan Minimizes Need For Regulation

Less state regulation and absolutely no federal regulation of insurance is in the public interest, James B. Donovan of the New York and Washington law firm of Watters & Donovan, declares in the winter 1960 edition of "The Federal Bar Journal," published by the Federal Bar Assn. The article, entitled "Insurance—The Case in Favor of Existing Exemptions from the Anti-trust Laws," is part of a symposium on U. S. industry exemptions from such laws.

In his article Mr. Donovan asserts that present state rating laws are diametrically opposed in letter and in spirit to the Sherman act. The basic anti-trust dogma of open competition is not to be applicable to insurance. The McCarran act and the state statutes expressly approve regulated violations of the federal anti-trust laws, such as the operation of the traditional insurance rating bureau.

Except for boycott, coercion and intimidation, any act repugnant to the federal anti-trust laws may be authorized by the states so long as public regulation is provided, Mr. Donovan continues. If combinations of insurers with agreed prices are necessary to afford a market in the amounts of insurance required by the public, they are to be encouraged.

High Ethical Standard

These are basic facts which should not be avoided apologetically as though they were vaguely wrong, Mr. Donovan contends. They should be stressed again and again so that all understand that every legislative body in the U. S., after public hearings, has determined that it is not in the public interest to have the Sherman act apply to insurance in the unqualified manner in which it affects ordinary industry. This does not mean that insurance is free to prey upon an unsuspecting public. The business today probably is more free of unethical conduct than any other of comparable size, he says, and yet it is subjected to more public regulation than the business activities operating under the restrictions of the federal anti-trust laws.

Objective appraisal of the facts shows that the special status of insurance since 1945 has not been contrary to the public interest, even if the criterion is that of healthy competition which is the stated objective of the anti-trust laws. Insurance is highly competitive, Mr. Donovan maintains.

In almost all states, he goes on, a variety of forms and coverages is available to insured. Even in those jurisdictions where by state action, as in Texas, there is a superficial identity of rates and forms, there is active competition not only as to claims and engineering services, but also as to the ultimate net price paid by insured to a non-participating stock company, a participating stock company, a mutual, a reciprocal or any one of a wide variety of insurers.

Complexities Of Regulation

Further, Mr. Donovan says, within the ranks of members and subscribers to rating bureaus, there are many deviations in all states permitting them. Since the enactment of the McCarran act and the subsequent rate regulatory laws, the non-bureau "independents" have grown enormously in size and influence. While there are sound grounds for concern as to whether or not insurance today is an over-regulated industry, it would be difficult to establish a thesis that the current status of insurance is not in the interest of the insurance-buying public.

State regulation of insurance is still on trial. Its problems are complex, in seeking to have a common-sense pattern emerge from a situation in which 52 separate regulatory bodies have power over an interstate business. As could be expected, in the last few years a variety of intra-mural conflicts have prevented the business from uniting in common interest against further expansion of governmental regulation, on the state or federal level, Mr. Donovan notes.

The stock companies and their agents have had difficulty in resolving views on how best to market insurance

protection, he continues. These disputes have been highlighted by the aggressiveness of direct writers, who regard the independent agent or broker as an unnecessary economic waste and have convinced millions of insured that the cheapest insurance is best.

High Grade State Officials

While these struggles are going forward, constant efforts should be made by all to assure the highest qualities in state supervisory authorities, to whom have been granted such sweeping powers. In all adminisrative law, the key to sound administration lies in the degree of ability and integrity possessed by the administrative officials. Insurance has been fortunate in that the overwhelming majority of its supervisory authorities have been able and conscientious. Some notable lapses in recent years, in some of the most important jurisdictions, have given concern to objective observers.

Insurance is too great to have its activities saddled by minor political hacks, whose first taste of major responsibility comes with their appointment in this field and whose political advancement depends on the avoidance of unpopular though necessary action, Mr. Donovan declares.

With all the foregoing problems still confronting a social and business mechanism which meets the needs of the buying public, the last thing required is more regulation. Unless there is to be a radical change in the regulatory pattern, the present system requires, for a fair trial in the public interest, less power in the hands of state supervisory officials and no interference by the federal agencies unless and until a problem is presented which the National Assn. of Insurance Commissioners certifies as beyond the authority of state regulation. There should be few such problems, Mr. Donovan concludes.

His article contains a complete annotation of state fire and casualty rate regulatory laws. Reprints of the entire symposium may be obtained at $1.50 a copy from the Federal Bar Assn., 1737 H Street, N.W., Washington 6, D. C.

AFIA Names Kreulen, Higgins To New Posts

American Foreign Insurance Assn. has appointed Roelof A. Kreulen Jr. manager at Okinawa. He replaces Peter J. Fornacca who is on leave. Mr. Kreulen joined AFIA in 1958 and was formerly branch assistant at Tokyo, and manager at Yokohama.

Richard B. Higgins, former assistant manager at Washington, D. C., has been reassigned to the U. S. brokerage department at New York. Mr. Higgins was with Hearthstone of Boston before joining AFIA in 1954.

GAB Shifts Standish To Williamsport As Manager

General Adjustment Bureau has appointed William A. Standish as manager at Williamsport, Pa. He succeeds George M. Slifer who will participate in adjustment of major losses in the territory.

Mr. Standish joined GAB at Hackensack, N. J. in 1951 and has been at Allentown, Pa. since 1955.

George B. Robbins, general adjuster at Baltimore, is retiring after 34 years with GAB. He joined the bureau in 1926 at Newark, and became manager successively at Worcester, Jamaica, N. Y., and Baltimore. In 1943 he was appointed general adjuster for Maryland and District of Columbia.

N. Y. Buyers Elect

At the annual meeting of New York chapter of American Society of Insurance Management, Donald W. Berry, Borden Co., was named president. Other officers are James S. Southwick, Ethyl Corp., and Robert S. Gyory, Sylvania Electric Products, vice-presidents; Raymond A. Severin, American Metal Climax, treasurer, and Joseph T. Smith, Union Carbide Corp., secretary.

New directors are Edmond C. Alheit, American Can Co.; Robert Chapman, Chemstrand Corp.; Joseph M. Collins, Coca-Cola Export Corp.; Mildred C. Congdon, Esso Standard Oil; Andrew S. Hall, General Aniline & Film Corp.; William A. Mason, Gibbs & Hill; Walter H. Nangel, Celanese Corp. of America, and Marie Turro, Great Lakes Carbon Corp.

John W. Olson, editor of safety engineering publications of the Kemper companies, has been appointed a junior executive.

Cooper Becomes Head Of Maryland A&H Assn.

Maryland Assn. of A&H Underwriters, at the annual meeting at Baltimore, has elected Charles G. Cooper, Washington National, president. Other officers are Harold Thomas, Pacific Mutual, and George E. Herpst, All American L.&C., vice-presidents, Sol Hack, Continental Assurance, secretary, and Vernon Piel, Springfield-Monarch, treasurer.

Carmichael Is President Of Founders Mut. Casualty

Henry P. Carmichael has been elected president of Founders Mutual Casualty of Chicago. He was formerly vice-president and general manager. He is a CPCU. The company, which specializes in workmen's compensation, with special emphasis on heavy industry, has recently moved to larger offices in the Board of Trade Building.

Marquis B. Smith has been elected a member of the Kemper junior board, an 11-man unit which provides management training for young executives of the Kemper companies. He is supervisor of the companies' national advertising.

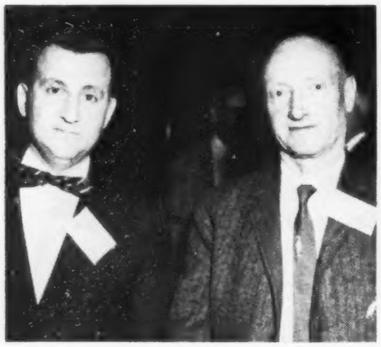
Personalities At NAIC Convention

Photos from the commissioners meeting by Harry H. Fuller, midwest manager of National Bureau of Casualty Underwriters. Mr. Fuller has been taking pictures at the NAIC meetings for 20 years.

W. V. Fox Jr., Pennsylvania deputy, with Commissioner Hayes of Louisiana, new chairman of the executive committee; Commissioner Beery of Colorado, president of NAIC, and F. Vernon Rosenthal, Illinois assistant director.

S. N. Beery of Colorado, president of NAIC, with C. H. Ritter of Denver, representing National Assn. of Surety Bond Producers.

Joseph F. Murphy, America Fore Loyalty group, formerly with the New York department and William C. Gould of the New York department.



J. H. Boyajian of California Inspection Rating Bureau and B.K. Campbell, head of the Seattle office of the National Bureau.

Roy L. Davis, midwest manager of Assn. of Casualty & Surety Companies, with Ray Murphy, former Iowa commissioner and retired general counsel of Assn. of Casualty & Surety Companies.

T. E. Murrin, actuary of the National Bureau; Commissioner T. Nelson Parker of Virginia, vice-president of NAIC, and Elmer A. Twaits, assistant secretary of the National Bureau.

Superintendent Thomas Thacher of New York and Hugh L. Tollack, executive secretary of NAIC.

On hand from the North Dakota department—Frank Albers, deputy, and Commissioner A. J. Jensen.

Joseph G. Bill of Inland Marine Insurance Bureau; Commissioner Walter Dell Davis of Mississippi, and Robert A. Nelson of National Automobile Underwriters Assn.

William Heinrich of Allstate and E. J. O'Brien of Lumbermens Mutual Casualty.

Deputy Joe Haveson and Commissioner Cyrus E. Magnusson of Minnesota.

Two distinguished members of the Passe Club—A. J. Bohlinger, New York attorney and former New York superintendent, and Robert B. Taylor, president Mill Owners Mutual of Des Moines, and former Oregon commissioner and past president of NAIC.

Mrs. Harry H. Fuller, whose husband is midwest manager of National Bureau and is the unofficial photographer of NAIC conventions, with a San Francisco friend, Ruth Van-Praagh.

Commissioner Charles Howell of New Jersey with William A. Sullivan of Washington, who has been commissioner of his state since 1932.

George S. Hanson, general counsel, and William Pollard, executive secretary of National Assn. of Insurance Agents.

NAUA representatives from New York—Robert A. Nelson, assistant manager, and Howard S. Omsberg, manager.

T. Nelson Parker of Virginia, vice-president of NAIC, with Sam N. Beery of Colorado, the new president.

Albert D. Pingree, Vermont deputy, with Commissioner George F. Mahoney of Maine.

Sees Dangers In Auto Merit Rating Plans

George H. Menefee, former chairman of the casualty division of Louisiana insurance rating commission and now an insurance consultant at Baton Rouge, writes:

In recent months, insurance companies writing automobile business have been introducing merit rating plans of various types with such frequency and in such variety and, it might be said in some cases, with such small consideration for the consequences as to resemble the promises of a campaign politican. Some have received the same sort of welcome in the beginning and a more sober look with the passing of time. All of these plans have in common a loss of credits or an increase in charges which can be incurred as a result of moving traffic violations.

Several such plans are being considered in Louisiana and it is anticipated that the present session of the legislature will enact necessary laws to make such plans feasible, at least to the extent of providing appropriate driver records. Companies which have filed such plans in states having little or no rate regulation can anticipate some difficulty when the plan is filed in Louisiana.

Whatever may be said about Louisiana rate regulation, profanely or otherwise, the making of automobile rates does generally follow a formula.

No Proviso For Guesses

Examination of the loss and expense exhibit approved by the casualty division of the Louisiana insurance rating commission indicates that all items shown on the expense side of the sheet are acquisition costs and costs of handling the business. On the loss side of the sheet are shown the actual amount of losses paid and incurred by the company, plus certain claims handling costs. Nowhere, however, is there any mention made of expenses or losses which might be incurred in the future in the event that the driver's ability does not improve. Stated in another way, the loss and expense exhibit which is used for rate making in Louisiana makes provisions only for actual out of pocket costs to the insurance company. It makes no provisions whatever for presumption, anticipation or guess work.

Statistically, it is easy enough to prove that drivers having numerous traffic violations will also have the greatest number of accidents, but companies do not pay losses until they happen.

Reducing rate credits or surcharging the rate for traffic violation is clearly an attempt on the part of the insurance company to enforce traffic regulations. While few will question the interest of the insurance companies in traffic enforcement, the task has thus far been left in the hands of the law enforcement bodies and the punishment of the guilty in the hands of the court. In the hands of the insurance companies, it is purely and simply rate making on a punitive basis.

Punitive Rate Making

Punitive rate making is not entirely new nor has it failed to receive the heartfelt support of those to whom the job of enforcing local ordinances has been delegated. Quite obviously, the city fathers are willing to embrace any plan which is for the public good and which removes from their hands the onerous duty of law enforcement. Boston, Chicago, and New York have all used, or attempted to use, punitive fire rates to force recalcitrant landlords to clean up slum areas.

If the insurance companies through lack of foresight are permitted to use punitive rates for the public benefit, they can also be used for personal benefit. One national magazine recently carried the story of an attempt at slum clearance by the University of Chicago. The story said that the threat of cancellation of fire coverage by an influential trustee had been used to force a shopkeeper into letting his employes appear at a hearing. The use of insurance coverage or the threat of higher rates can quite clearly be used for the public good. By the same token, it can just as easily be used for personal gain.

It appears that any merit rating filing in Louisiana which puts the insurance companies in the law enforcement business is in for a hot reception. It is to be hoped that the movement will spread to other states before the public becomes generally aware that there is a new police body on the scene.

AIU Names Halouzka To Dallas Post

American International Underwriters has named Milos S. Halouzka assistant manager at Dallas. He joined AIU at New York in 1952 and later became senior casualty underwriter for the southwest. He was transferred to Havana, Cuba last fall. Mr. Halouzka wrote a manual on evaluation of risks inherent in the oil business which is used at all AIU offices.

Expense Formulas For New Tex. Fire Rates Released

AUSTIN—The Texas board has released the new fire expense formulas for determining rates that are to become effective July 1.

The formula includes an expense ratio of 48% and loss and loss adjustment ratio of 52%, excluding cotton, and an expense ratio of 40% and loss ratio of 60% when including cotton. For extended coverage inland, the expense factor is 47.9% and 52.1% for losses and loss adjustment.

Wisconsin Buyers Elect

Karl F. Abendroth, Milwaukee & Suburban Transport Corp., has been elected president of the Wisconsin chapter of American Society of Insurance Management. Also elected were John H. Lungren, Clark Oil & Refining, vice-president; Howard G. Doersching, Milwaukee Gas & Light Co., secretary, and Joseph A. Hussa, First Wisconsin National Bank, treasurer.

Wright Joins Zurich In Va.

Jackson T. Wright has been named casualty manager of Zurich at Richmond, Va. He was a senior underwriter for Boston and Old Colony before joining Zurich and before that was with Standard Accident, Loyalty group and National Surety, all in Richmond.

International Auto Promotes 4

International Auto Exchange of Indianapolis has promoted Ward Fabel from claims manager to claims vice-president; Earl F. Watkins from office manager to assistant treasurer; Thomas Harris to auto underwriting supervisor, and Richard Davis to agencies director.

Pleas For Unification Of Producer Groups Heard At N. Y. Meeting

Spokesmen from nine broker and agent associations in the New York area appeared on a panel at the monthly educational forum of Greater New York Brokers Assn. Support was apparent for unification of individual associations so that opinions of the producers can be stongly presented before the state insurance department, the companies and the legislature.

A panel moderated by M. L. Nathanson, chairman of the host association, included discussion of the assigned risk plan, the automobile market, excess lines business, and the possibility that companies might cut commissions further in the face of stern competition on personal lines, notably homeowners.

The panelists were George Ort, executive vice-president Insurance Brokers Assn. of New York; Ben Hemley, regional vice-president New York State Assn. of Insurance Agents; Max Kurz, first vice-president General Insurance Brokers Assn.; George Saladino, president Long Island Insurance Brokers Assn.; Ernest Johnson, United Insurance Brokers Assn.; Calvin Raff, president Queens County Assn. of Insurance Agents; Aaron Riez, second vice-president Bronx Westchester Assn. of Insurance Brokers; Harold Fleischer, chairman Brokers Associations Joint Council, and Edward Jaffin, president Greater New York Insurance Brokers Assn.

Favor Department List

Mr. Ort said that New York brokers tend to favor the insurance department setting up a list of approved non-admitted insurers. He advised brokers to make use of their business and banking connections to ascertain the capacity and financial structure of excess insurers which they use.

Mr. Jaffin said brokers would sometimes be well-advised to consider mergers which would lower the cost of doing business and increase profits.

Mr. Johnson called the recent hearings on rule changes in the assigned risk plan "commission changes, with more money for less risk" for the companies. He warned that unless the companies realize that brokers are the eyes, ears, and voice of the public, they may face the prospect of more government regulation.

The unionization of life debit agents in 1937 was recalled by Mr. Riez. While not favoring a labor union of brokers and agents, he emphasized that strength lies in unity. He asserted that many companies are trying to make captive agents of their independent representatives.

Mr. Riez predicted that the next company moves will be a five-point reduction on direct auto business and a 10-15% cut on homeowners policies.

GAB Appoints Fagan And Ripley In Florida

General Adjustment Bureau has appointed James L. Fagan, general adjuster at Orlando, Fla., and Robert H. Ripley, manager at West Palm Beach. Mr. Ripley, who succeeds Mr. Fagan at West Palm Beach, has been a senior adjuster there.

W. P. Penny Is Promoted

Wilford P. Penny has been promoted by Maryland Casualty from state agent in Illinois to manager of the fire and marine department at Denver. He has been in the business 11 years.

Agent Opportunities Enormous, Will Expand Tremendously In '60s

(CONTINUED FROM PAGE 2)

ties. No doubt most of the major companies dealing in automobile insurance will provide such handy finance service just as the major automobile manufacturers early saw the wisdom of providing a separate corporation offering finance, and, more recently, automobile insurance. The next logical step undoubtedly will be packaging of insurance and financing in one easy-to-pay monthly installment.

In many areas for years, he said, insurance agencies have provided mortgage money. One insurer group recently created a mortgage finance company within its parent insurance organization to channel investment funds from its life company into the new mortgage subsidiary to finance home purchases.

As property-casualty companies continue to organize new life companies or acquire going life concerns, readily available funds from the new life company will result in expanded mortgage facilities available through agents and tied together in a simplified monthly package.

Mr. Overman noted that a year ago 122 property-casualty insurers had life affiliates. This figure has grown in the past year. The opportunities for the all lines agent are very considerable. For example, the average family in the U.S. in 1958 has $8,800 of life insurance. Yet the human life value of a typical family head (measured by his capitalized future income) amounts to between $100,000 and $300,000 depending upon present age and future earning expectations. Thus in spite of the strides made in the sale of life in the past 20 years, gross under-insurance seems to typify the 1960 life insurance scene. With several million new families started in the 1960s, a vast, untapped market for life coverages awaits the insurance producer.

Probably the most rapidly growing field of insurance today, in terms of premium volume, is health coverages. Yet in spite of the need for A&S, the coverage, like life insurance, must be sold through face-to-face contact. The client does not seek out the agent. Major medical has broadened the opportunities in A&S for the agent, he said.

Income Interruption Cover

Another A&S coverage that is getting increased attention is continuation of the family income in case of accidents or disease of the breadwinner. This is not unlike business interruption insurance in the property-casualty field. It is family income interruption insurance.

In addition to monthly bills for installment purchasing, the family paycheck must also meet payments on the home mortgage. Today, more than 60% of American families are buying homes with mortgage loans amounting to $125 billion. Both types of debt —consumer credit and mortage loans —are up 160% over 1950. Yet the disposable income is up only 61%. Thus debts have risen 2½ times faster than incomes. Thus most American families are totally dependent on their monthly salaries. Adequate insurance for the continuation of the monthly income check is crucial.

Gives One Solution

One important solution to the problem of more and more older persons living longer and longer can be found in wide-spread use of the annuity, he observed. An annuity is the scientific liquidation of a principal sum of money such that payments will continue to the purchaser month by month regardless of how long he may live. A family, by purchasing an annuity while the breadwinner is fairly young, can pay nominal monthly installments which will accumulate over his working life so that he and his wife will be provided with guaranteed fixed-dollar monthly income checks starting at retirement and continuing throughout his non-working years regardless of length of life. Here is a most unusual form of old-age protection unavailable and unobtainable from any other financial institution in the U.S. It is, he said, probably unknown to the majority of young heads of families.

The variable annuity concept came into being as a natural consequence

of the problem of continued inflation which creates a corresponding decline in the value of the dollar. It creates a hedge to the erosion of the value of retirement dollars. Currently only three or four companies in the U.S. are marketing this kind of retirement income insurance. However, one of the largest life companies, Prudential, is likely to enter the field with a variable annuity in the near future. When it does, many others are expected to follow suit.

More all lines agencies are starting mutual fund sales divisions, Mr. Overman indicated. More insurer-mutual fund combinations have been effected. One agent recently observed: "When the reduction in commission rates hit my business, I looked around for some means of offsetting the loss. Happily, I was introduced to the idea of handling mutual funds in conjunction with my regular property-casualty insurance. I can report that my commission losses have been more than compensated for by this new source of income. Moreover, I was surprised by the lack of difficulty in selling mutual funds."

Must Learn Entire Needs

A family adviser on insurance and finance matters, whether he is a property-casualty agent, a life or health agent, or a mutual fund dealer, cannot possibly advise the family in a sound professional manner in any of these areas until he learns of the entire family needs and the funds they have to meet them. In the past, each specialist gave advice and wrote coverages without bothering to discover what the family already had in these "outside-of-his-jurisdiction" areas. Nor were the family's total needs ranked in order of their importance. How could the agent, then, give any kind of professional counsel without looking at the family's entire financial picture?

Greater rewards should accompany the tendency toward account selling in the personal field, he said. Moreover, the greater diversification of writings resulting from across-the-board account selling should produce a steadier book of business less vulnerable to competition.

Personal, Commercial Fields

Mr. Overman sees the possibility of a growing separation of the personal and commercial lines agents. However, both will get more and more into account selling, into surveys to determine needs, and into programming as the best method of aiding insured to provide for those needs.

How is the agent or broker to find the time to broaden his personal business into all of the family finance areas?

Ways and means will have to be discovered, through closer agency-company cooperation, to lower not only the administrative costs but also the time devoted by the agency to policy-writing, rating, record-keeping and premium-collecting. Labor cost saving and agency-time saving devices of every description must be instituted to free agents for direct marketing. They must engage in far more face-to-face contacts during the course of the business day. If the agent chooses to concentrate more and more in the broader area of family finance, he will have to find methods which will free him for evening calls when he can find the family heads together.

Electronic data processing has been found to do most of the "chores" previously handled manually by employes far more efficiently, accurately and at much lower unit costs. The full potential of this new equipment, already owned by many insurers and a few agencies, has not yet been adequately tested nor effectively utilized. In all probability, great strides in the 1960s will be made in the fuller utilization of automation in insurance. Efficiencies will be especially pronounced in the marketing aspects of the product. Methods will certainly be found and instituted for marketing the product in the least cost, lowest time-consuming manner.

Another important technique for simplifying marketing lies in the area of packaging two or more previously autonomous contracts into one bundle of coverage, Mr. Overman said. The real labor-saving aspect of this technique lies in the opportunity to standardize the package to fit the average or normal needs of millions of families in the middle income group. This is accomplished by incorporating into the package reasonable or standard portions of each of the different coverages. Rating, for the agency, is also simplified since only one quoted rate will prevail for the entire package in contrast to separate rates for each of the autonomous coverages sold prior to the composite package.

Super-Package Marketing

One major insurer group in the midwest has been marketing for several years a super package of homeowners, family automobile, and A&S. At least one other major group has appointed a committee to develop a similar package contract. Two major companies have been marketing a combination of homeowners and life and disability mortgage redemption insurance.

One major specialty company has on its drawing board a combination package of permanent life insurance, A&S, and mutual funds. Another combination blends life insurance with mutual funds. The mutual funds pur-

chase is insured for the unpaid balance by decreasing term life. This package is being offered by U.S. Life, Continental Assurance and Old Republic with Commonwealth Investment Co., Commonwealth Stock Fund, and Commonwealth Income Fund supplying the fund shares. A similar super-package is available in England.

But, Mr. Overman said, special super-packages also have appeared on the market recently in the commercial field. A new funeral directors policy combines a number of separate coverages needed for funeral homes. The packaged policy is standardized for amounts to meet the needs of the majority of funeral directors. The major advantage of this new development is the simplicity of marketing this combination of coverages in one quick and easy transaction. A similar super-package has been worked out for the motel owner. An apartment owners' policy is available in a few states. A service station policy is being marketed.

As the trend continues toward package selling of coverages, these developments will be accompanied by a considerable growth in monthly budget plans. The 1960s will see substantial increases in the payment of premiums monthly for both personal and commercial policies.

Many agents and company men believe that the commercial field offers the greatest financial rewards in contrast to the writing of personal lines in the old fashioned way (not as expanded to family finance).

A large Chicago agency discovered after an analysis of its entire book of business that 75% of its insured brought into the agency only 25% of its premiums, and 25% of insured accounted for 75% of its total volume. When broken down by commission income, the extremes were even more pronounced. This prompted the agency to concentrate its effort on the more profitable clients which, the study revealed, were predominantly commercial.

An agency in Ohio found that 65% of all its insured paid annual premiums of $20 or less, mostly personal. This encouraged the agency to concentrate on commercial risks.

In a California agency with annual volume of $1 million, the two partners believed neither could afford to spend time with clients for less than $25 per hour in commissions. Their first agency analysis in 1951 showed that 21.5% of total transactions (an invoice billing calling for a premium payment) accounted for 7% of volume. Despite their continued efforts to eliminate the less profitable business, they discovered from their 1959 study that 21% of their transactions still accounted for only 5% of their volume. In both instances, these results were from accounts producing less than $500 in premiums a year.

Turn To Commercial Clients

From 1951 to 1959, the agency increasingly concentrated on commercial account selling. For 1954, 27.8% of their invoice transactions involved accounts producing $5,000 or more in premiums per year for 59.6% of total volume. From 1954 to the present, they have continued to concentrate on larger commercial accounts. The 1959 results showed 45% of their invoice transactions in the over-$5,000 account category. These accounts produced 73.4% of total premium. The over-$5,000 accounts produced an average commission per transaction of $60.33, the highest in all premium sizes. They found, without exception, that the larger the premium per account, the higher the average commission per transaction.

On personal lines the average number of transactions was 2.3 and the average commission per transaction was $11.89. But on commercial accounts the breakdown was: Up to $500, number of transactions 5.5, commission per transaction $12.56; $500 to $1,000, 6.9 and $20.72; $1,000 to $2,000, 11.2 and $27.88; $2,500 to $5,000, 19 and $37.44, and over $5,000, 43.8 and $60.33.

The two agents now are devoting 100% of their time to commercial accounts.

A large midwest agency company sent a set of detailed questions on agency operations to 2,800 agents. More than 1,000 completed the questionnaire. The answers revealed that,

without exception, the larger the agency, the higher the percentage of business written in the commercial field. Agencies with less than $30,000 in annual premiums did 21.1% of it in commercial business; $30,000 to $60,000, 24.7%; $60,000 to $100,000, 30.5%; $100,000 to $200,000, 35.5%; $300,000 to $400,000, 42.5%; $400,000 to $1,000,000, 65.2%, and over $1,000,000, 74.6%.

Can Still Write Personal Lines

Mr. Overman said he was not suggesting omission of personal lines. Agencies as large as $250,000 still wrote 37.5% of their total volume in personal lines. However, the agency is likely to grow much larger in a shorter period of time through an increasing concentration on the field of commercial insurance.

Writing commercial business requires technical proficiency, Mr. Overman emphasized. For this he recommended the CPCU program.

Agents frequently ask how to break into commercial coverages if they have been concentrating on personal business.

An up-state New York agent revealed that his approach to survey selling in the commercial field is to learn of every new business which starts in his community. He has much less difficulty obtaining the complete account of a new business than acquiring volume from firms already in operation and with established arrangements for insurance. The new account needs service, and he is apt to keep it permanently. As these firms grow, the account grows. This has been his approach for 15 years, and many businesses which he insured when they started are on his books and are now among his largest accounts.

Another New York agent settled on certain kinds of business, for example, local hardware and appliance dealers with repair departments. He specializes in the knowledge of appropriate coverages for this class of risk. He is considered the insurance manager of the firm. This kind of insurance adviser must become thoroughly familiar with the operations, the perils, and the problems connected with the type of business in which he is specializing. The business man is not going to learn insurance—the producer must learn the client's business.

Program Gradually

A consultant in Buffalo has discovered that breaking into accounts is not generally accomplished by preparing an elaborate survey with recommended policies covering all the major perils and then presenting this to the firm for consideration. Such an involved and technical survey tends to overwhelm the business owner, and he tends to recoil. The proper technique is to prepare the survey gradually—over a period of years—by working on each of several important areas of coverage by stages, for example, liability, crime coverages, and later business interruption.

A broker in Minneapolis maintains that an effective technique in obtaining commercial accounts is to study carefully the markets here and abroad—to learn where the difficult-to-place business can best be insured. He has learned that certain companies on certain types of coverage have rates which are considerably below average rates. These are not weak or unheard of insurers but leading companies. The broker shows the client how he can broaden and strengthen coverage, and save the client money on the account.

A Dallas agent has discovered that most commercial accounts have not been properly serviced. For example, the business interruption policy of one company omitted a location although the premium being charged included sales for the location. The agent has discovered numerous instances of such neglect and they have led to clients for his agency.

A Florida broker has found that many times it is feasible to shift insured from one to another rating basis with substantial savings.

Imagination plus technical know-how seem to be the two most important ingredients in the acquisition by the agent or broker of more commercial business, Mr. Overman said.

Chicago Buyers Hear Kelly Discuss Problem Of Insurance Capacity

To place three auto assembly lines in a single-area building may be more efficient than to erect a separate plant, but it creates tremendous problems for the insurance manager, Ambrose B. Kelly, general counsel Associated Factory Mutuals, told Chicago chapter of American Society of Insurance Management at its final meeting of the current season.

Mr. Kelly's address was on the insurance capacity problem of American business, which, he said, was the problem of the agent or broker rather than of the companies.

Although capacity is more extensive in this country than anywhere else, there are instances where it has been exhausted, he said. Ford Motor Co., for instance, is unable to buy the total amount of business interruption insurance it would like.

Vt., Me. Auto Rates Change; File In S. C.

National Bureau and National Automobile Underwriters Assn. revised automobile rates in Vermont and Maine, effective June 8.

In Vermont, National Bureau increased auto BI and PDL rates 11.1% for private passenger cars, and 2.2% for garage risks, and reduced rates 5.8% for commercial cars. Farmers will continue to receive a 30% discount for private passenger rates.

NAUA reduced comprehensive PHD for popular priced private passenger cars $1 statewide. Private passenger $50 and $100 deductible rates for private passenger cars were increased 6%.

In Maine, National Bureau increased BI and PDL rates 9.4% for private passenger cars, and 17.3% for garage risks, and reduced commercial car rates 10.2%. Farmers continue to receive a 30% discount.

NAUA reduced rates for $50 and $100 deductible PHD approximately 6% statewide. Comprehensive PHD rates increase about 1%.

National Bureau has filed in South Carolina for an average rate reduction of 2.1% on private passenger cars, and increases of 9.2% on commercial cars, and 9% on broad coverage garage risks. A hearing set for June 7 on the filing was postponed.

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Glens Falls held a four-day home office claims and loss conference at Lake George, N. Y. Collis G. Lane, attorney of Columbus, O., and Alfred L. Mosely, chief investigator of research on fatal collisions for Harvard University's department of legal medicine, were speakers.

Cliff Jones Jr. Elected Chairman Of R. B. Jones

Cliff C. Jones Jr. has been elected chairman of R. B. Jones & Sons agency of Kansas City. For 10 years he has been vice-president and a director.

C. C. Jones Jr.

The son of Cliff C. Jones Sr., honorary chairman, Mr. Jones has been prominent in local civic and charitable organizations for many years. He is past president of the Kansas City Chamber of Commerce and he is director and past chairman of the advisory board of the Salvation Army, a director of Kansas City F.&M., and president of Jones Plans, managers and distributors of Associations Investment Fund.

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Strawley President Of Phila. Accountants Unit

Joseph L. Strawley, Indemnity of North America, was elected president of Insurance Accountants Assn. of Philadelphia at its annual meeting.

Thomas B. Egee, Maryland Casualty, was elected vice-president, and Robert Stagg, New Amsterdam, secretary-treasurer. Mr. Egee, and Fred Sandford, Ohio Farmers, were elected to the association's board.

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Hawaii Board Elects S. W. Kelley President

Board of Underwriters of Hawaii, at the annual meeting at Honolulu, has elected Stafford W. Kelley, president. Seiji Motoki is vice-president and Harry G. Albright was reelected secretary.

J. Dewey Dorsett, general manager of Assn. of Casualty & Surety Companies, spoke at the meeting, along with Paul H. Jones, president of National Assn. of Insurance Agents.

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Form Specialty Agency

Specialty Insurance Agency has been organized at 1145 Peachtree Street, N.E., Atlanta, to write automobile BI and PDL. It will also operate in South Carolina. Charles G. Duncan Jr. is president and David L. Wilson vice-president. Mr. Duncan is president of General Automobile Club of Atlanta and Duncan & Associates in Atlanta. Mr. Wilson formerly was with Aetna Casualty and Georgia Casualty & Surety.

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Standard Accident Names Kedrow

Standard Accident has named Wilbert M. Kedrow special representative in the property department at Chicago. He has had 12 years experience in fire prevention and engineering: Inspector with Indiana Rating Bureau; inspector and supervisor Illinois Inspection Bureau, and engineer for both Western Actuarial Bureau and Gypsum Assn.

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Mich. Mutual Liability Names Three

Michigan Mutual Liability has promoted E. L. Cox from administrative assistant to manager at Kalamazoo and Francis J. Novak to administrative assistant for Michigan at Grand Rapids. With the company since 1951, Mr. Novak will be succeeded as general auditor by Lawrence R. Meister, who has been a procedure analyst. Mr. Cox went with Michigan Mutual Liability in 1952 and Mr. Meister in 1949.

Terminological Chaos Costs Money: Gregg

(CONTINUED FROM PAGE 11)

two? How in Heaven's name did we settle on 'ordinary' as a label?"

"The usual synonym for 'ordinary' is 'common'; the usual antonym is 'extraordinary.' Does the public wish to buy 'common' life insurance or 'extraordinary' life insurance. Webster's goes on to define 'ordinary' as 'not distinguished by superiority of any kind.' Is this the kind of language atmosphere appropriate for life insurance?"

Sees 'Industrial' Tag Losing Out

Mr. Gregg said there is evidence that "industrial" as the tag for the third branch of life insurance may be on the way out.

"Ten years ago," he said, "the author (P. A. Samuelson) of America's most popular economics text, in writing of industrial life insurance, observed that 'just as the Holy Roman Empire was neither holy, nor Roman, nor an empire, so industrial insurance is not industrial and it is hardly insurance. It has nothing to do with industry but is used to refer to the few-hundred-dollar policies sold primarily to the very poor, usually for burial money.'

"This rather breezy and flippant characterization is quoted not for an indication of the economist's understanding of insurance but rather to reflect the inappropriateness of the terminology we have selected for a major branch of life insurance."

Quotes From Newspaper

As evidence that the public, not just insurance people, are involved in this confusing terminology, Mr. Gregg quoted from a news item in the Wall Street Journal of May 24, 1960, the following passages:

"So-called ordinary life insurance—standard policies of the sort the average individual buys—fell 0.7%. . . .

"Industrial life insurance—small individual policies on which weekly premiums are collected by door-to-door agents—also declined, to . . . .

"Group life insurance—one contract, bought as a rule by an employer, covering a number of persons, showed a . . . ."

Reflects Terminology Weakness

"Do you sense the problem of delineating these three types of insurance?" Mr. Gregg asked. "Is it just possible that the wording 'so-called ordinary life insurance' reflects a weakness in our terminology and in our ability to communicate?"

Going on to other life insurance illustrations, Mr. Gregg said it seems unlikely that any life insurance term is more misunderstood than "reserve."

"We speak of financial reserves of companies as assets, whereas actually they are the complete opposite, namely, liabilities," he pointed out. "Life insurance companies have the reputation in some quarters of being 'rich as Croesus,' when actually they should be viewed as depository institutions with tremendous liabilities to policyholders.

'Dividend' Called Confusing

"And how about the word 'dividend' as used in life insurance? Just how confusing is it to the public, to writers, to legislators, to judges, and the like? How about such terms as 'premium,' straight life,' 'whole life,' 'non-forfeiture,' 'supplementary contract,' and 'annuity certain,' to mention but a few."

Analyzing the language problem that plagues all branches of insurance, Mr. Gregg expressed the belief that "it is we in insurance who have created our problem."

"It was Humpty Dumpty of Alice in Wonderland fame who said, 'When I use a word, it means just what I choose it to mean—neither more nor less.' " said Mr. Gregg. "It is we who have individually and collectively Humpty-Dumptied our language to the point that it is hard even to understand each other. Pity the poor public!"

"As much as we might want to blame our forebears in insurance for our language legacy, it is we who are squarely in the spotlight. It is we who make the language. If we wish to continue confusion, we can do so. If we wish to seek clarity, this can also be done. Our opportunity is summarized in the truth that 'dictionaries do not make the language; language makes the dictionaries'—the theme of the Commission of Insurance Terminology."

Established By Teachers

The commission, Mr. Gregg recalled, was established in 1959 by American Assn. of University Teachers of Insurance, and financed by the association, to introduce in an evolutionary way greater clarity and exactness in insurance terminology. The commission's objectives are:

—To engage in a continuing study of insurance language (words and phrases) to evaluate the effectiveness of the language and recommend improvements where desirable.

—To accumulate and publish a glossary of insurance words and phrases on which there is general agreement among practitioners and educators as to their meaning.

—To develop a continuing program of information by which writers, editors, insurers and others will have available more accurate and meaningful insurance terminology and, "through the art of gentle persuasion and assistance to those who make the insurance language, gradually bring some order out of the present chaos."

—To cooperate with any other groups or individuals seeking to attain improvement in insurance terminology.

The pilot group that is working on these objectives is the committee on health insurance terminology, made up of 24 persons with E. J. Faulkner, president of Woodmen Accident & Life, as chairman.

Was It Rightly Named?

"It is interesting to note," said Mr. Gregg, "that this committee has spent a great deal of its time during its first year of operation in determining whether or not it was properly named at the outset." The committee's first

report was published in the AAUTI's Journal of Insurance for March and Mr. Gregg recommended a reading of it to his listeners "not only because it reflects a fascinating interplay of ideas and opinions but also because it is reflective of the kinds of problems to be expected in the future work of all committees."

The committee on pension and profit-sharing terminology has been organized and will begin its work this year. It is headed by Dan M. McGill, who is Frederick H. Ecker professor of life insurance at University of Pennsylvania. Other committees, now being organized, will cover property insurance terminology, life insurance terminology and general terminology, the latter to be concerned with insurance language that cuts across all branches of the business.

Discusses Dual Function

"Our experience thus far suggests that the work of the commission and its committees will develop along two basic lines," said Mr. Gregg. "In the first place, it shall be their responsibility to consider words and phrases within their respective fields and, where desirable, re-define terms in an effective manner.

"The second function is to communicate the decisions to writers, editors, speakers, legislators, companies and librarians, and persuade these groups to adopt the improved language. In regard to the second function, it should be mentioned again that 'dictionaries do not make the language; language makes dictionaries.'

"In other words, dictionaries adopt meanings only after the users of language adopt these meanings. Hence, the work of the commission must be embraced by insurance if it is to have value. If, for example, companies, textbook writers, librarians, legislators and the like will not adopt 'health insurance' as the generic term to describe this branch of insurance, then inevitably this decision of the committee on health insurance terminology will be a sterile one. In the same sense, if this term is gradually adopted, then inevitably it will show up in the dictionaries of the future as the generic term for this field."

Revolutionary Changes Opposed

Touching on the speed with which language changes will be made, Mr. Gregg said the commission has adopted the concept that evolutionary change—as contrasted with the revolutionary variety—must be the keynote.

"Inevitably, recommendations which are revolutionary in form or timing will meet distrust and resistance," he said.

Insurance librarians, said Mr. Gregg, occupy key positions with relation to the commission's work, and "we hope always to have your interest and cooperation in this long-range project."

Commission Sharing Plans Of Mich. Local Boards Win Blackford OK

LANSING—Commissioner Blackford of Michigan has given the green light to plans for placing public business such as those which have long been used by local boards of Michigan Assn. of Insurance Agents.

Following an extended hearing, the commissioner has decreed that an agent may divide his commissions on public business any way he pleases so long as there has been no interference with open competition.

Under the most frequently used plans in larger cities outside Detroit, the agents awarded public business turn over the bulk of commissions to the local board for use in civic projects such as fire and accident prevention activity, junior firemen projects, school safety patrols, cleanup weeks, and the like.

The commissioner's ruling sets forth the requirements to be met under the 1956 code, as amended. These essential prerequisites are:

1. A person writing insurance must be properly licensed.
2. There may be no remuneration of a person other than a licensed agent or solicitor for procuring or inducing business, furnishing leads or prospects, or in similar manner acting indirectly as an agent or solicitor.
3. No rebates may be paid to insured.
4. No arrangements may be made under which an agent or solicitor can be held to be the agent of the insured rather than the insurer, or whereby an agent is permitted to solicit or place any class of business other than those authorized in Michigan by such agent's insurer.
5. No arrangement may be entered into "whereby insurers or agents, in essence, agree to prevent open and free competition as to business transacted in this state."

Commissioner Blackford's ruling was prefaced by the explanation that the department has received many inquiries regarding placement of public business and it was felt that a public hearing should be granted to afford the public an opportunity to express its views.

Eyes UM Problems, Cites AR Results At Iowa Agents Meeting

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just to companies. Excluding all overhead, and considering loss costs only, it has been estimated that companies lost between $12 and $17 million on AR business in 1958. It may not be asking too much to suggest that the agent contribute his services as his share in this over-all problem.

While the most pressing task is to reduce the number of applicants to AR plans, it can also be agreed that companies are entitled to some relief from high AR loss ratios. Wisconsin, Maryland and South Carolina have adopted uniform AR rates and policies. The problem is to make sure the uniform rate is high enough to allow participating companies at least to break even, Mr. Ewen declared.

He pointed out that in most states, including Iowa, clean risks are not surcharged. Yet the nationwide loss ratios on these clean risks is 167% for BI and 97% for PDL. Many underwriters believe that a person who must file evidence of financial responsibility is a better risk than a person who merely has been "lucky."

UM Developments

This opinion has been substantiated by the nationwide experience under AR plans, as the loss ratios on the surcharged risks are slightly lower—153% for BI and 109% for PDL. One company, specializing in sub-standard business, reports it has been writing risks requiring a financial responsibility filing at a profit, while the experience has been poor on risks without a filing.

While the AR plan makes liability coverage available to most people, there remains the problem of the financially irresponsible motorist who makes no effort to obtain coverage, Mr. Ewen said. When New York adopted compulsory, and while similar measures were being considered in other states, the business devised UM coverage. This was later broadened to include hit-and-run cases, and its name was changed to family protection coverage. Apparently this idea has been fairly successful—only one state has since adopted compulsory—since it affords protection to the innocent party for accidents caused by hit-and-run drivers, stolen automobiles and the uninsured out-of-state driver.

Mr. Ewen noted that California, New Hampshire, Oregon and Virginia have made this coverage mandatory. South Carolina will follow suit Jan. 1, 1961, and other states have either introduced or are considering similar laws.

The acceptance of family protection coverage has been gratifying, and Mr. Ewen hopes that companies and agents will continue to endorse it to help solve the UM problem and to combat compulsory.

He does not believe that rates are going to be increased to the point where underwriting requirements can be relaxed. Yet a home must be found for the less desirable risk. Sub-standard companies offer one solution. They make it possible for agents to provide more complete protection for clients and even make it easier for an underwriter to reject an application, Mr. Ewen concluded.

Health Insurance Needs Are Equal To Life: Osler

(CONTINUED FROM PAGE 8)

your house; but if you live but can't meet the mortgage payments, to hell with you. Don't bother me.' "

Mr. Osler saw a third need in that of readjustment income to cushion the step down from the level of earned income to whatever is left of continuing income. If there is a need for readjustment income because of death, there is an equal need for it because of disability.

Income, he said, must also be provided for the family period, because the monthly rent and light bills must be paid by the family whether the former breadwinner is in the grave or a wheelchair.

Mr. Osler observed that it is easier to find a "psychological out" when the life agent is talking about the fate of the family left without adequate income when the husband dies. One can subconsciously think, "But if those things do happen, at least I won't be here to see them."

However, he said, "If I don't die but can't work, I'll be right there seeing it all. I'll watch my house being sold . . . I'll be there when the social worker comes to see if the kids are qualified for Aid to Dependent Children."

After the children are grown, the widow still needs an income—even the widow of an economically dead man, he reminded his listeners.

Conversely, health insurance alone will not satisfy family security requirements, Mr. Osler emphasized—the agent must not forget to accompany it with life coverage.

Cleveland A&H Men Elect Barrett President

Cleveland Assn. of A&H Underwriters has elected William P. Barrett, Bankers Life & Casualty, president; Seymour Prell, Massachusetts Indemnity, 1st vice-president; Anthony Gall, Mutual Benefit H.&A., 2nd vice-president, and Mrs. Veda Sutliff, Columbus Mutual Life, secretary-treasurer.

Spokane Assn. Elects Burch

W. E. Burch has been elected president of Spokane Insurance Assn. Clarence E. Ayer and E. Ralph Adams are vice-presidents and Leonard E. Salladay and E. R. Jeremiah are trustees.

Annals Authors Eye Safe Driver Plans

(CONTINUED FROM PAGE 10)

should be examined from the standpoint of whether it is a merit rating plan for individually owned private passenger automobiles or, instead, as contended by the originators, only an extension of the private passenger classification plan: Another element in the rating of individual private passenger cars. Merit rating may be defined as a system whereby an individual risk within a class may develop a deviation from the class rate by virtue of the risk's own loss experience or some other factor, Mr. Erwin observed.

On the basis of this definition, the safe driver plan appears to qualify as a merit rating plan for individually owned private passenger automobiles. In any case, he assumes that it is, and raises the question of how such a plan might be expected to work when it is almost universally conceded by insurance people that units as small and as uncontrolled as private passenger automobiles are not sufficiently credible to justify merit rating. The most likely answer is that the safe driver plan incorporates two underwriting considerations that are expected to overcome the impediments of merit rating individually owned private passenger automobiles. These considerations—past accident and past citation involvement—are the very essence of the plan.

Challenges Premises

Mr. Erwin said that a fundamental premise of the plan is that these considerations of past accident and citation involvement that produce points or debits against a risk, are capable of differentiating between future safe and unsafe drivers. Further, it is assumed that the debits and credits produced by these two considerations will develop seven different rate levels that adequately will reflect seven supposedly different exposures.

Mr. Erwin wonders how good a bet this is. To a large extent it depends on the credibility of the driver study of 1958, conducted by the California department of motor vehicles. The two rating bureaus that have sponsored the safe driver plan state that its theor is supported by facts developed in the 1958 study.

May Support Theory

A close review of the driver study reveals, however, only one fact that might support the theory of the plan, and that is a department of motor vehicles conclusion that a definite relationship exists between the number of traffic convictions in a driver's record and the number of accidents he is likely to have. The rating bureaus have leaned heavily upon the California driver study, as support for the theory of the safe driver plan and have—knowingly or unknowingly—also fostered a public misimpression that the safe driver plan is completely supported—at least statistically—by the driver study.

Nothing could be further from the truth, Mr. Erwin maintained. The safe driver plan allows, for example, equal weight to prior accident and prior citation involvement in establishing points or debits charged to an applicant. The driver study, however, does not in any way suggest that prior accidents and prior citations are of equal importance to the possibility of future accident involvement. Furthermore, the driver study does not demonstrate any relationship at all between prior accidents and future accidents, for the study does not comment on whether a driver with a prior accident improvement has a greater or lesser chance of being involved in an accident in the future.

Disparities Noted

There is nothing in the driver study to substantiate the percentage charges in the safe driver plan for prior citations and prior accidents. In other words, a 20% reduction in the basic rate may or may not result in a proper premium charge for an applicant who is accident and citation free for a two year period. No one, at this point, can prove or disprove the validity of a 20% credit. However, if there is a real reason to believe that the driver study supports the theory of the safe driver plan, then it is difficult to find any consistency whatsoever between the premium surcharge percentages of the safe driver plan, as compared with the accident potential of a risk with a corresponding number of traffic citations.

In the first category of drivers—those with no traffic citations—there were only 9 accidents per 100 drivers, and they will be rated at 80% of manual, or a credit of 20%, except, of course, those drivers who caused the 9 accidents who may be debited one point for a chargeable accident. In the second category of drivers—those with one traffic citation—there were 19 accidents per 100 drivers or over twice as many accidents as in the first category. Yet, they will be rated at 90% of manual, or a credit of 10%, again excepting those drivers who caused the 19 accidents, who might be debited a point.

Twice The Potential

The important consideration is that those drivers in the one citation category have, according to the driver study, a relative accident potential of more than twice the no citation drivers. Yet they still received a 10% rate credit. Mr. Erwin wonders why they should not receive a surcharge of 60% above manual (.80 X 2).

He concludes that the safe driver plan looks very much like a merit rating plan of individually owned

private passenger automobiles—relying on prior accident and traffic citation involvement to overcome the impediments of merit rating of small, uncontrolled units. The driver record study by the California department of motor vehicles supposedly supports the theory underlying the safe driver plan but, if it does, the support appears lost in translation. Prior accidents and traffic citations are most certainly a factor in writing automobile insurance, but possibly they are underwriting considerations—not rating factors. The more realistic appraisal of the safe driver insurance plan might well be that it is purely and simply a creature of necessity: A badly needed competitive tool for bureau members and their agents—nothing more and nothing less. On a short term basis, this plan should halt —or at least slow down—direct writer and specialty company inroads. From a long range standpoint, the safe driver plan will prove only as good as the experience it produces. Whether or not the companies can live with this experience remains to be seen, Mr. Erwin concluded.

From the producer's viewpoint, Rees E. Roston, Los Angeles agent, points out that opponents of the safe driver plan are primarily direct writers who do not use it. However, they can adopt it, charging a little less in all classifications. For insured who cannot afford the advantages of agency service, the direct writers can fill a niche.

Citing criticism of the plan, Mr. Roston offered suggested changes. There should be a uniform rate or premium basis within each territory, and that uniform rate should be modified by the point class. One point should be assigned for damage to property in excess of $100 instead of the present $50 in order to conform to most financial responsibility laws.

Mr. Roston also questons whether a point should be charged when insured or his passenger collects under the medical coverage of his policy, although he has been reimbursed by a wrongdoer for both BI and collision damage.

After a number of months of operation in California, the plan has stimulated client interest, Mr. Roston reports. Questions by insured indicate that they desire to improve their driving habits. The difference in premiums between top and bottom classes is having its effect.

Clement Suggests Buyers Could Help Public Know Functions Of Insurance

W. Winthrop Clement, public relations manager of American International Underwriters, suggested in a speech to New York Savings Banks' Forum in Binghamton, that insurance buyers could help develop public knowledge of insurance.

Though insurance effects almost every home, millions of people have no real understanding of it, Mr. Clement said. They don't know how it works, what makes it work or fail to work, and what it can or cannot do. Indicating how much misunderstanding there is, Mr. Clement said many people feel "insurance policy" and "blank checks" are synonyms.

The new committee on insurance industry relations of American Society of Insurance Management could work with Insurance Information Institute to expand buyers' understanding of insurer problems, Mr. Clement suggested and the benefits of such rapport could gradually be passed on to the public.

Peel, Whitlock Advanced In HIA Legal Department

Health Insurance Assn. has promoted Joe W. Peel to counsel and Lyndon J. Whitlock to assistant counsel. Mr. Peel, who joined HIA as assistant counsel in 1958, was previously with the Kansas insurance department. Mr. Whitlock has been an attorney with the association since 1958.

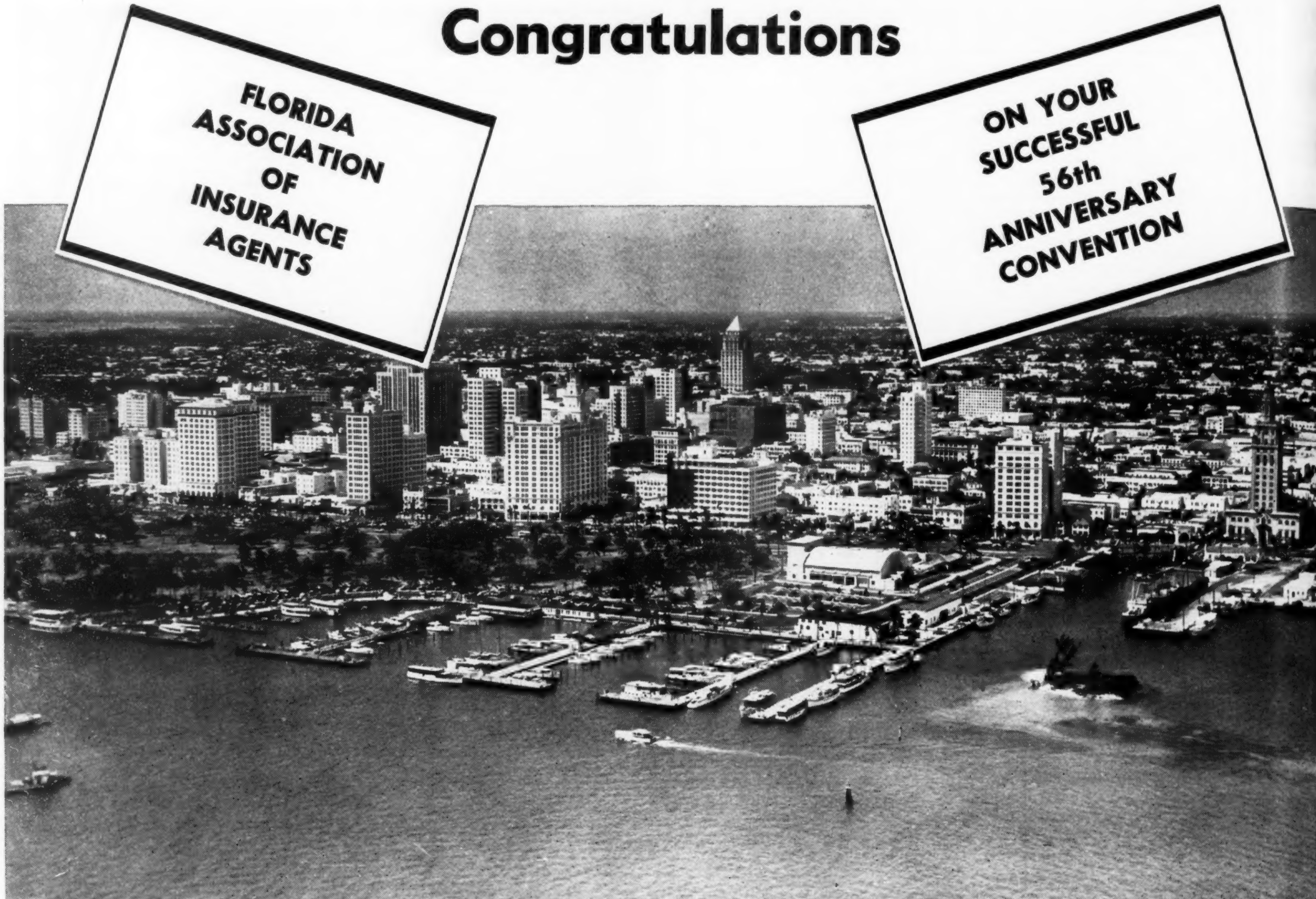
St. Louis Agencies Merge

General Insurors and Case, Thomas & Marsh, two old St. Louis agencies, have affiliated and the resulting agency will be known as General Insurors-Case, Thomas & Marsh. Case, Thomas & Marsh has been in operation since 1864 and General Insurors since 1913.

Wampole In New Post

George E. Wampole, casualty department underwriter of Standard Accident at Atlanta since 1955, has been named chief casualty and property underwriter there. He has been in the business since 1937.

Congratulations



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Fla. Agents Hear Doremus Champion Homeowners Policy

Hutchinson Is President; Record Throng Is Swelled By Junior Agents Annual

A crowd of 1,500 at the annual meeting of Florida Assn. of Insurance Agents at the Fontainebleau Hotel, Miami Beach, broke all records for attendance at this or any other state association convention. Registrations far exceeded the Florida membership of 1,100.

Lamar U. Hutchinson, Orlando, was named president to succeed Neil D. Coates, Miami. Other officers are James M. Newton, St. Petersburg, and George H. Sweet, Miami, vice-presidents; and Richard S. McKay, Tampa, state national director. Directors named are Robert Fowler, St. Petersburg; Robert A. McCord, Jacksonville; Claude Moore, Leesburg, and Mr. Coates.

One of the attendance boosters was the first annual junior agents convention for members' children. Close to 100 youngsters checked in at their own registration desk for three days of activity paralleling their parents business and social schedules.

The agents heard Frederick W. Doremus, assistant general manager of Inter-Regional Insurance Conference, defend the companies' departure from traditional rate making philosophies to remain competitive in the homeowners market.

Paul Jones, Tucson, president of NAIA, took another swipe at the lack of communications between companies and their agents, and attributed many present problems in the business to this "fundamental cause."

Participating in a panel discussion, Mr. Doremus spoke out in answer to allegations that Inter-Regional acted outside the proper scope of an advisory organization in relation to the revised homeowners program, and that its recommendations to the rating organizations were not properly supported by statistics or other information.

He declared that Inter-Regional's actions are at all times within the intent and purpose of the statutes in their reference to the scope or the functions of an advisory organization. All information goes to rating organizations in the form of recommendations. These are subject to specific action of the rating organization as to whether they are adopted, adopted with amendment, or not adopted.

Needed Additional Data

In the case of the revised homeowners program, he said, additional supporting information was called for and furnished the rating bureaus. The bureaus then furnished the information to the insurance departments of 20 of the 33 states in which the program is now in use.

Discussing criticism of the homeowners ratemaking formula, Mr. Doremus observed that the homeowners program is not based primarily on past expense experience, and thus differs from the more traditional method of fire rate level adjustment. However, homeowners policies are not traditional, nor is the method of rating. In fact, there is no reason why such a new combination of lines, including casualty coverages, should be treated in the same manner as straight fire and allied lines.

Mr. Doremus said the program is based on a prospective allocation of 60% of the earned premium dollar for loss and loss adjustment expense. Deducting another 6% as an allowance for underwriting profit and catastrophe leaves a balance of 34% for expense, exclusive of loss adjustment expense.

The specific distribution of this 40% —exclusive of the 60% loss and loss adjustment item— for any one company is entirely within its individual direction and underwriting practices, Mr. Doremus asserted. No rating organization filing can in any way influence or control such company decisions.

Must Allocate 60%

He said it was felt that companies which adhere to bureau filings could not hope in a highly competitive market to write a fair share of the coverage, as it applies to the better grade of dwelling risk, unless they were prepared to return to the public in pure loss approximately 54% of the earned premium dollar. Since loss adjustment expense will average about 6%, this meant that 60% of earned premiums must be allocated to loss and loss adjustment expense, he stated.

This prospective expense formula is only part of the consideration that was given in the establishment of recommended rate levels, Mr. Doremus continued. Loss experience under previous forms, and the credibility of such loss experience are involved. The differences in coverage have to be evaluated. Judgment is also necessary in adapting any new plan to past experience.

He said the recommendations resulting from this method of evaluating past and prospective experience in relation to the revised program have received a fairly wide approval. Nevertheless, there are a large number of companies having independent or deviation filings which provide for a substantially lower rate level than the bureau filings. Certain of these independent filings are based on individual company experience and ignore the collective loss experience. Others are based on a lower expense allocation than that contemplated by the bureau filings.

Comments Are Beneficial

While decisions about the development of new or revised types of coverage must rest with the companies, he said Inter-Regional believes that the comments and suggestions of well-qualified agents are always beneficial.

The latter observations of Mr. Doremus were in strong contrast to the burden of Mr. Jones' complaint about the lack of company-producer conference. He said that to an increasing degree, companies have omitted not only their agents from participation in the planning of the product to be offered, but have also excluded their own production forces. Since home office executives and technicians have little direct contact with the public, Mr. Jones wonders how they can devise contracts to suit the buying public.

Improperly conceived contracts frequently result in bad loss ratios, he said, which mean reduced profits and commissions. He acknowledged that it was certainly management's responsibility to make final decisions, but common sense dictates that they might well be guided by those close to the

(CONTINUED ON PAGE 37)

Competition, Lower Expense, All Lines Selling Are Ahead

(CONTINUED FROM PAGE 17)

erally in varying degree. Refinement of classification is needed. But does this spliting of the premium atom make any sense?

Coding and classification requirements must be simplified, and the bureaus and rating organizations must take the lead in that effort. Year by year code piles upon code and plan upon plan for each major line of insurance and each subdivision thereof to the point where a whole army of statistical clerks and key punchers is necessary to cope with the details which the system produces. Here is an enormous field for study and research. Classification and coding requirements must be reduced generally, and especially in small premiums, if the mounting cost of handling the business is to be stopped and reversed.

Direct Billing Profitable

On personal lines, he said, a profitable approach to the problem of expense lies in the complete integration of those lines in the producer and company offices. This means direct billing for homeowners, automobile, and A&S, with the premiums for each consolidated into a single installment method of premium payment. There is some disposition to package all the personal lines including life in a single comprehensive policy. But, Mr. Stellwagen observed, it has not yet been proved that such policies can be successfully underwritten or produced in quantities sufficient to secure the necessary spread of exposure.

Basis For Economy

For the producer, the establishment of a personal lines unit or department offers a basis for economical performance. Selling must be on an account basis and all lines must be completely integrated. Direct billing and premium collection will free the producer from office detail so that he may devote the major part of his effort to selling. Life insurance should be included in a personal lines department. Experience is confirming the utility and profit of such an arrangement. With commission rates tending downward, the producer must have more things to sell and more time in which to sell them.

Mr. Stellwagen expects increasing scrutiny of the business by the public—by Congress and federal agencies, and by state legislative committees that are currently looking into cancellation of automobile policies and the operation of assigned risk plans.

Because the requirement for the advance filing of rates and affimative action by supervisory officials has resulted in long delay in the approval of needed rates or in a compromise falling short of actuarial requirements, the industry attitude is veering toward the California-type rate regulatory law, Mr. Stellwagen said. If this should be enacted in most or in many states, rating bureaus could not compel adherence to their rates and rules. Cooperative price fixing is possible only if prior state approval exists so as to provide immunity from the federal anti-trust laws. If competition is substituted for prior administrative supervision, the complete or even partial requirement that members and subscribers agree to maintain rates seems to run head-on into the federal anti-trust statutes and the court decisions which have interpreted the McCarran act.

Role Not Reduced

However, Mr. Stellwagen declared that the role of the rating organizations will not be reduced in future. On the contrary, their importance may well increase. In an era of change, scientific investigation and research activity must expand in scope and in purpose.

Suggestions offered for bureau operations in the future include: Bureaus establish and promulgate only pure premiums with companies converting gross premiums by applying their respective ratios—some would go further and have companies compute and publish rates net of commission, allowing the producer to include his own selling and service charge; and have the bureau establish orthodox unit rates in the traditional fashion for all risks for a car, a house, a farm a factory, etc., with company actuaries and underwriters adapting these rates to a variety of coverages and rating plans for individual and multiple unit risks.

The position of the company actuary will be greatly enhanced in importance and authority in the 1960s, Mr. Stellwagen predicted. The rating bureaus have always had and continue to have excellent actuarial service. But only in the last decade have individual insurers begun to find it profitable to have an actuary as part of senior management. Today, most companies employ such an actuary and many of them have actuarial departments. They have proved their worth in guiding management through the radical changes which have characterizeed the casualty business in recent years.

Suggests Account Underwriting

Combinations of casualty and fire functions suggest account underwriting which broadens the scope of combined lines rating. This may be accomplished for the smaller risks through policy packaging and in the larger risks through some form of composite and retrospective rating embracing casualty, fire, and marine exposures. Here is a tough nut for the actuary to crack.

Simplification of coding, tabulating, and processing procedures requires the guidance of the company actuary in concert with the actuary of the rating organization.

As more companies use their own statistics for rate making or apply their own rating philosophies in modification of bureau-made standards, the casualty actuary will assume a position of authority in the senior council of his company, similar to that occupied by his counterpart in the life business.

The business today is committed to the proposition that underwriting must yield a profit. The actuary is needed to accomplish that profit objective, Mr. Stellwagen said.

West Germans To Study U.S. Long Haul Coverage

A group of representatives of the long-haul trucking industry in West Germany will be trained in the U.S. in a project sponsored by International Cooperation Administration. They will study insurance problems of the trucking industry, with emphasis on coverage of vehicles and goods in transport.

George E. Morrison, assistant manager of the U.S. Chamber of Commerce insurance department, will moderate a panel discussion on insurance during the visitors' stay in Washington. Participants will be representatives of Assn. of Casualty & Surety Companies. National Assn. of Automotive Insurance Companies, National Assn. of Independent Insurers and Insurance Institute for Highway Safety. Irving Markel, president of Markel Service, will also participate.

GAB Names Four In East

General Adjustment Bureau has appointed William G. Hall Jr. general adjuster for northern New Jersey at Newark. He is succeeded as manager at New Brunswick, N. J. by Robert E. Waldron, who is succeeded as manager at Monticello, N. Y. by Donald R. Nacey, previously senior adjuster at Albany.

John J. Donovan has been advanced in the Pittsburgh area to general adjuster at the Penn Hills branch where he will handle losses for western Pennsylvania.

State Auto-Statesman Forms Premium Financing Subsidiary

State Auto-Statesman group of Indianapolis has formed a subsidiary, Timeco, Inc., which will handle premium financing. The new organization will have as officers Myron McKee Jr., president; O. O. Allen, vice-president and secretary, and Joseph R. Brandes, treasurer.

Cites National Board Theft Prevention Work

Theft of goods in transit is an acute problem, calling for the active cooperation of all concerned to prevent losses and afford greater security, Gilbert H. Meyer, head of the inland marine investigation service of National Board, declared in an article in the current issue of "Babaco News," publication of Babaco Alarm Systems.

Investigation work is important, Mr. Meyer said, but prevention would be of greater value.

He noted that National Board has for 12 years been concentrating on burglary, robbery, hijacking and theft from shipments and warehouse facilities. The board now has 100 trained agents, all experienced criminal investigators, some former FBI, federal narcotics or secret service agents, and others from various city and state police forces. It is doing a big and continuous job of crime investigation, under Mr. Meyers' direction.

Loss Record Noted

He estimates that jewelry salesmen's sample thefts alone total more than $1 million annually, averaging large amounts, from $20,000 upward. Thefts are due mainly to lack of security measures. The same general pattern holds for all cargo thefts. They occur at a point of weakness in the security of the goods.

Loss prevention is the preferred approach to relieve this situation. One objective of the board investigative staff is to help create a general understanding and pattern of prevention, so that the losses can be forestalled. No one wants a cargo theft—not the underwriter, not the shipper, not the trucker, not the salesman, and, not the consumer, who in the end pays the bill and sustains the loss of goods.

In the same issue of Babaco News the wide and growing sweep of crime and cargo theft losses is attested by the current list of previous unreported thefts, well over $1,250,000 in the aggregate on 110 losses. The new list includes thefts of $35,000 of meat in Newark; $40,000 of drugs and cosmetics in Brooklyn; $40,000 of steel in Chicago; $25,000 of watches and rings in Indianapolis; $22,000 of copper in Buffalo; $60,000 of ladies clothing in Brooklyn, and $420,000 of silks and cutlery in New York.

Moe In S. D. Field

United F.&C. has appointed Harvie O. Moe field representative for South Dakota. He has been with the Regan general agency in that state for five years.

Md. Solon Sees Flaws In Safe Driver Plan

Edgar P. Silver, chairman of the motor vehicles committee of both the Maryland house of delegates and the state legislative council, has charged that the safe driver plan of National Bureau and National Automobile Underwriters Assn. has created "complete confusion" in the insurance business and among automobile owners. Insurer representatives will be called to explain the plan to the legislative council, Mr. Silver said.

His main opposition to the program is that points are retroactive, since accident records, three years prior to coverage, are a factor. Most Maryland drivers erroneously believe they will start out with a clean slate, as they will under the state's own point system for violations when it takes effect next January, Mr. Silver declared.

He is in accord with the intent of the program, but he said that it "might be an attempt to weed out bad risks and force them into the assigned risk plan."

Conlon Advanced By Mass. Bonding

Massachusetts Bonding has advanced Thomas E. Conlon Jr., manager of the home office contract bond department, to assistant secretary.

Mr. Conlon has had experience with the company in all phases of bond underwriting and claim matters, as well as in varied field and home office assignments.

F. E. Hasse Promoted By Ind. Lumbermens Mutual

Indiana Lumbermens Mutual has appointed F. E. Hasse agency supervisor. He joined the company in 1946 as an underwriter, went into the field in 1948 and was advanced to field supervisor in 1957. He will assist R. N. Hiatt, vice-president in charge of the agency department.

Strudwick Names Schellie

A. E. Strudwick has appointed James L. Schellie to head the accounting and statistical department at Chicago. Before joining Strudwick, he was in the reinsurance division of Stuyvesant, and before that was with Continental Casualty and Chase Conover & Co., insurance accountants and auditors.

Stillson Longbrake agency of South Bend, Ind., has moved to larger quarters at 1703 South Michigan Street.

General Agents Given Maketing Facts

(CONTINUED FROM PAGE 5)

about a fair division of the premium dollar, but unless they can convince the buyer that the product is fairly priced and he is getting full value, there will be nothing to divide. The average customer knows little about the technicalities of the product, but he is fully aware of its cost. Specialty companies continue forcefully to present the cost factor to the public. High cost operations can extol the virtues of superb service, but Mr. Thornbury fears that this argument may wear thin in time.

Prescription For Future

Companies operating through general agencies realize that they must pay fair compensation, but a competitive balance must be maintained with companies operating on a branch office basis. If general agents are performing functions which can be handled more economically by the company, there is no justification for continuance. The most economical procedures must be found. This applies also to the producing agent.

Mr. Thornbury finds it hard to see fundamental differences in the various methods of insurance selling. Basically, it takes a company, a customer, and some individual—a middle man—to bring the principal and the consumer together. All the talk about direct writers, captive agents, independent agents, or any other categorization does not change the fundamentals of the business one iota. Success does not lie in a plan, but in the people behind the plan.

Most companies have concentrated on the technical aspects of insurance —underwriting, accounting, office management, expenses—all of which are important. But "production thinking" has been lacking. Companies have kept dollar volume up, but Mr. Thornbury thinks much of the credit must go to inflation and an expanding economy. Volume has increased, but another consideration is whether the quality of the business has improved. A comparison of company loss ratios is a test of quality. Since the most favorable loss ratios are found in companies with aggressive management there is one inescapable conclusion: The future belongs to those who can anticipate it and its challenges, he concluded.

The status and future of the managing general agent were analyzed by Langdon C. Quin Jr. in his presidential report.

Mr. Quin noted that self-styled prophets are predicting that the rash of company mergers and consolidations is contributing to the demise of general agents, since the tendency is for large companies to swallow the medium and small sized insurers which use the general agency system. However, while 40 companies "disappeared" in 1959, more than 50 new insurers were formed—40 of them stock organizations.

When the time comes for these companies to expand, Mr. Quin continued, they will give the general agent favorable consideration. He noted that while the association lost seven general agent members because of the sale of companies in 1959, eight new members were added.

Urges PR Program

Mr. Quin referred to the Big I campaign of National Assn. of Insurance Agents which is creating the image of the independent agent in the public mind. The general agents should also bring their image into sharper focus for companies and agents. Since their association is small, and has neither a public relations nor a publicity department, and no sales promotion experts or even a paid secretary—any program would have to be in terms of "do-it-yourself." Such a program is imperative because competition makes it mandatory.

Minneapolis A&H Men Name Nielsen President

Corbett A. Nielsen, Time of Milwaukee, has been elected president of Minneapolis Assn. of A&H Underwriters. John H. Ederer, Marsh & McLennan, and Carl T. Gustafson, North American Life & Casualty, were elected vice-presidents, and Orlie Long Jr., Occidental Life, secretary-treasurer.

Edson Elected President Of Flint A&H Assn.

Flint Assn. of Accident & Health Underwriters has elected Edward O. Edson president to succeed Mrs. Margaret J. McLavish. Gerald E. Noffsinger and James A. Vierheilig are vice-presidents and Mrs. Blanche I. Ritter was named secretary-treasurer.

Advanced By Aetna Life

Aetna Life group has appointed Swan T. Anderson assistant auditor of Aetna Life, a post he now holds with Aetna Casualty and Standard Fire.

John D. Faunce has been appointed manager, special services department, and Henry A. Benicak assistant auditor of the three companies.

Mr. Anderson joined the organization in 1918 in the fire accounts department; Mr. Faunce joined the group in 1946, and Mr. Benicak started with the organization in 1924.

Fla. Agents Hear Doremus Champion Homeowners Policy

(CONTINUED FROM PAGE 33)

buyer. The experience of the agent and his intimate knowledge of what the public wants and will buy should be utilized, he said, as well as the agents' thoughts on the reaction of an increasingly claim conscious public to the coverages granted. Failure of stock companies to use the advantages is a disservice to their stockholders.

Mr. Jones declared that direct writing competitors utilize the views of their agents, and many such companies claim that this is one of the merchandising advantages of their system of operation. "If their type of agent," he said, "can contribute valuable information, the experience of our type of agents, gained through many years of serving the public and meeting competition, could be of unlimited merchandising value."

He referred to several progressive traditional companies which have "individually seen the light" and are now using various consultation plans. These pioneer companies have been gratified by the results and have also greatly improved their internal public relations, Mr. Jones concluded.

Mutual Bureau Revises Hospital Liability Rates

Mutual Insurance Rating Bureau has revised hospital liability rates in Arizona, Arkansas, Connecticut, Delaware, District of Columbia, Illinois, Kansas, Michigan, Mississippi, New Hampshire, New Mexico, North Dakota, Oklahoma, Tennessee, Utah, Vermont, Washington, and Wisconsin, effective June 15.

The revision involves the introduction of a single schedule of rates for all hospitals which do not enjoy immunity.

Defer Mass. Bonding Suit

The suit brought by a Massachusetts Bonding stockholder to prevent consummation of the deal whereby Worcester Mutual Fire and "interests friendly to it" acquired controlling interest in Massachusetts Bonding through stock purchase has been deferred from June 6 to Sept. 1.

Since the injunction suit was instituted, Hanover and Massachusetts Bonding have made merger plans. It is reported that the plaintiff-stockholder favors this move, and if it is consummated the suit will be dropped.

Universal Auto Enters General Liability Field; Vickery To Head Unit

Universal Automobile of Indianapolis has entered the general liabilty field and has set up an independent department in the Insurance Exchange Building, Chicago, to handle this business.

E. B. Vickery Jr.

The general liability division will write unusual and special risks. E. Brook Vickery Jr., a director of Universal Auto, will supervise the division office. He is president of Vickery Hoyt & Graham of Chicago, a Lloyds correspondent.

Assisting Mr. Vickery will be Robert M. Stewart and Albert A. Griffin.

Universal Auto is best known for its development of national insurance programs for motor scooters and go-karts.

Indiana Blue Goose Names R. E. Aurelius New MLG

Robert E. Aurelius, St. Paul F.&M., was elected most loyal gander of Indiana Blue Goose at the annual meeting at Lebanon. He succeeds Hovey B. Skelton, vice-president Rough Notes Co. Ray J. Geringer, American States, is the new supervisor; William F. Bruegenger, Indiana Rating Bureau, custodian; G. H. McKenzie Jr., Merchants Property of Indiana, guardian and Edward Foisey, American, keeper.

J. F. Halliday, Western Adjustment, retired, was reelected wielder. A golf tournament and other social activities were featured at the meeting.

At the business meeting, the members discussed the proposal of the Grand Nest to increase contribution by 25 cents to $3.25. It was the sense of the meeting that the Grand Nest could explore the possibility of reducing expenses by eliminating the publishing of the report of the annual meeting.

Columbus (O.) A&H Assn. Elects Carpenter President

Clarence Carpenter has been elected president of Columbus (O.) A&H Assn. Dorgan Clark was named vice-president; Lorin Schoephaerster, secretary; John Hennon, treasurer, and Clyde Pearce, Michael Kelly, Gerald Frost and Verlin Henderson, directors.

Pacific Indemnity Raises Freeze

John L. Freeze, assistant claims manager of Pacific Indemnity in the southwestern department at Dallas, has been appointed claims manager in the midwestern department at Kansas City. He practiced law in St. Louis before entering the insurance business and before joining Pacific about a year ago was branch claims manager of Employers Mutual, multiple lines vice-president of Southwest General and in fire and casualty claims work with American, all in Dallas or Newark

O'Connor, U. S. Rep. Debate Forand-Type Bills In Chicago

(CONTINUED FROM PAGE 2)

case in hand. He immediately disagreed with Mr. O'Connor on the logic of having the states share in the expense. He said that few states could (or would even if they could) be able to match what the government could put up.

Mr. Pucinski then launched into a discussion of the subject, which, not surprisingly, contradicted almost every one of Mr. O'Connor's points.

To Mr. O'Connor's assertion that it is unfortunate that the entire subject has become a "political football" (he noted that important amendments to the social security act have been voted in successive, even-numbered years since 1950), Mr. Pucinski stated he thought it was a good thing the subject was debated in election years. The public is more aware of what is going on in Washington at that time, he said. Congress is accordingly forced to take a more active interest in what it is the public really wants and expects of its elected officials.

Mr. Pucinski said that contrary to an often stated view that social security is some sort of "handout," the act is true "pay as you go." A citizen contributes to the fund during his active and productive years and draws from it when he becomes in need of help during his later years.

Mr. O'Connor then rose to quote Health, Education & Welfare Secretary Flemming to the extent that the social security act is not insurance; it is merely welfare. Mr. Pucinski was quick to disagree. He said what one administrator may have to say is no valid test, since another administrator could just as easily be found who would say the opposite. He said the courts have held that the act is a form of insurance.

A friendly spirit prevailed as the meeting—much to the evident disappointment of the audience—was unavoidably compelled to close. Mr. O'Connor said there was no question of what had to be done; the point of departure was only how it was to be accomplished. Mr. Pucinski readily agreed to this and quoted House Majority Leader McCormack: "The road to progress is reasonable compromise."

Va. Rating Bureau Reelects Felix Hargrett

Felix Hargrett, vice-president Home, was reelected chairman of the governing committee of Virginia Insurance Rating Bureau at the annual meeting last week in Richmond. Thomas D. Hughes, Continental, was reelected vice-chairman.

Members of the governing committee are Aetna Fire, E. H. Stover; American Manufacturers Mutual, T. L. Osborn Jr.; Continental, Mr. Hughes; Eastern Shore of Virginia Fire, James G. Mason; Fireman's Fund, T. E. Sims Jr.; Hanover, J. L. Dorris; Hartford Fire, J. H. Ledbetter; Home, Mr. Hargrett; North British, D. M. Deakins; Phoenix of New York, W. C. Harris; Sun, G. L. Parker; Virginia Farm Bureau Mutual, A. E. Flory.

Chairman of the executive committee is Harry W. Atkinson of Glens Falls, and E. S. Broach, Royal, is vice-chairman. Members of the executive committee are: V. M. Bradshaw, U.S.F.&G.; B. S. Dunlap, Kinnett-Edwards-Boyd; C. H. Grubbs, Shelby Mutual; J. W. Holbrook, New Hampshire; L. P. Jervey Jr., Travelers Indemnity; C. F. Leonard, American, and Lindsey Moore, Crum & Forster.

L. O. Freeman Jr., was elected manager and E. D. Sommers and T. L. Bondurant, assistant managers, and C. L. Puryear Jr. is rating superintendent.

New Ohio Warden

Sheldon L. Greene has been appointed warden of the Ohio department. He will be in charge of the enforcement section. He has been a law clerk for the common pleas court of Cuyahoga County.

Editorial Comment

Changing Factors In Bureau Operation

The decision by the Washington state supreme court, holding that a subscriber to the rating bureau may file rates independently, is the latest in a sequence of developments which will result in changes in fire bureau operation as the business has known it for many years, many in the business believe.

Another recent development was the independent filing of a fire coverage by one of the large company groups, strongly bureau in its predilections in the past.

The possibility that several other large bureau companies may go "independent" is not remote. One such company is making personnel and other preparations which mean that it has decided to go independent and is quietly preparing to do so. For some months two or three other large groups have had the matter seriously under consideration.

Thus, while Sen. O'Mahoney is investigating the influence of bureaus on competition, the bureau system seems to be undergoing the fact if not the form of change. While the Gerber subcommittee of National Assn. of Insurance Commissioners is holding hearings on how the rate regulatory laws should and should not be changed, the business has been moving toward an operation that would be statutorily expressed by the California type of filing law, or legislation similar to it.

If developments continue in their present direction, competition is apt to become more and more wide open. The fire bureaus are demonstrating their flexibility to meet the changed circumstances, as did the casualty bureaus last year. It is thus possible that much of the competitive maneuvering can be accommodated under the bureau aegis and that a considerable "industry product," produced by consultation and broad representation of experience and opinion, can be retained. But however it is done, it is becoming evident that the more competitive "bureau companies" are not going to be restrained by their own rules while their competition moves freely to get the marketing decisions in volume and preferred business.

Perhaps in the days ahead, as has been urged by some, the principal job of regulators will be to keep insurers from going broke.

Certainly the bureaus are not expected to go out of business. They possess much of the technical talent that already is in short supply as companies diverge more and more in form and rate. In addition, someone has to do the work of collecting, collating and interpreting experience. In the days ahead, that work is bound to become more important and essential to both regulators and the business.—K.O.F.

A Real Public Relations Program

Service to insured is frequently discussed but seldom defined. Too often, it seems to be synonymous with helpful efforts by companies and agents after a loss.

One of the mutuals has extended the service and PR concept by making it a continuing feature during the life of commercial policies. For example, the claims men in one of this company's offices near a large metropolitan city started in 1956 to become acquainted with larger insured. Working with the sales department, they compiled a list of policyholders paying $5,000 or more premium annually. They added other insured in this bracket as new business notices came in, or from other sales information.

From a modest start with about 20 insured, excluding national risks, this suburban office through its chief adjuster and claims manager now is regularly contacting 50 policyholders. The program includes calls on insurance managers, treasurers and personnel men, and on younger personnel of insured who handle the details of claims reporting. Their names were compiled from sales information, or following the first claims visit. Two calls a year have been found sufficient to maintain good relations with insured and to keep them aware that the company is vitally interested in their progress, plans, and problems.

At first, the company found that many insured were surprised to receive a call. Since then, most insured have indicated that they are pleased with the program. Frequently, they have had some question or problem with which the insurer has dealt promptly. Some of the help to insured has been through developing claims service surveys and by discussion of problems highlighted by the surveys.

Even though claims contacts may add to or change the duties of some personnel of insured, it is believed that good will has been increased and a personal relationship has been established. Frequent calls by the policyholder to the claims manager or chief adjuster when a problem arose have resulted in excellent liaison and elimination of potential complaints. Many visits were supplemented by telephone contact, and sometimes by additional visits when a claims service survey was to be discussed.

The program now has been expanded to include national risks serviced either from the large nearby city or from other offices with large operations in the area. Usually, these calls are made only when a national risk opens a new risk or store in the locality. Any further service calls are handled by the supervisors or claims men who regularly call on the particular location. National risks whose home offices are in the area are serviced regularly through this service call plan.

A brief, informative memorandum is prepared after each call and sent to the division service supervisor. A copy is also sent to the division claims manager. In addition, copies are sent to insured's general file and to the sales unit. This distribution often provides ideas for sales programs, new business, or loss prevention services.

The company is convinced that its regular claims call plan has promoted a better atmosphere for discussion of problem cases, and that it has found a way to hold desirable accounts that otherwise might have gone off the books.

This, together with the other tangible benefits, adds up to the kind of relations with the public that really make sense.—J.N.C.

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Personals

Perry Frank, Mesquite, Tex., agent, has been elected president of Dallas County Fair Assn.

Ed Bezold, a partner of Don R. Jensen general agency, Chicago, fell and broke his kneecap while leaving church. He will be released from Elmhurst (Ill.) Hospital this week but will be confined to his home for six weeks.

H. T. Dahl, who heads the independent adjusting firm at Chicago bearing his name, has returned to work following a three-month absence due to illness.

J. Raymond Berry, general counsel of National Board, was recently inducted into the New York University chapter of Iota Nu Sigma, insurance honorary society.

Deaths

ROBERT R. DEEN, 67, who operated an adjustment firm bearing his name at San Antonio, died after a prolonged illness. He joined Southwestern Adjustment in 1925, becoming a general adjuster in 1931. He opened his own independent adjustment firm in 1945.

FRANK G. RICHARDSON, 83, who headed the Denver agency bearing his name since 1915, died there in St. Luke's Hospital.

DONALD J. WEEKS, 48, Feasterville, Pa., independent adjuster, died at Holy Redeemer Hospital, Bethayres, Pa. He was with Home before he formed his own firm eight years ago.

GEORGE C. MOTTE, 68 who had been with the David G. Ellison agency and later with the W. Dixon Foster agency, both of Columbia, S. C., died at Columbia Hospital after an extended illness.

THOMAS W. WALKER, 67, Twin Falls, Ida., agent, died of a heart attack.

NORMAN J. NESHAIM, 63, former superintendent of agents for Fred L. Gray general agency of Minneapolis, died at St. Paul.

A. J. WILSON, 86, a past president of Arkansas Assn., of Insurance Agents and for 57 years a familiar figure in Arkansas fire and casualty insurance circles, died at his home in Little Rock.

A native of Monticello, Ark., he started his career as a teacher in Monticello and Fordyce, joining the A. B. Banks agency in the latter town in 1903. He was one of the early members of the Arkansas Assn. of Insurance Agents. Rising with the Banks organization, which established a banking and insurance empire in Arkansas in the first three decades of this century, he became vice-president and insurance officer of the American Exchange Bank in Little Rock. It was while he held this post that he became, in 1926, president of the Arkansas Assn. of Insurance Agents—at a time when the state had two competing local agents' associations, Arkansas Assn. of Insurance Agents, made up largely of so-called "bank agencies," and the Arkansas Insurors Assn., representing largely the so-called "independent agencies" which had no bank related connections.

With the failure in 1931 of the Banks banking operation in Arkansas, Mr.

Wilson established his own local agency which he continued to operate until his retirement two years ago.

He was an early president of Little Rock Insurance Exchange and participated widely in Little Rock civic affairs.

Missouri Field Men Elect New Officers

New officers of Missouri Capital Stock Assn. and Missouri Fire Prevention Assn. were elected at the annual meetings of those organizations in Jefferson City last week.

The field club elected Donald Logan, Fireman's Fund, president; William Klosterman, America Fore Loyalty, vice-president; Urban M. Foerster Jr., Hartford, secretary, and P. H. Bevan, Aetna Fire, public relations chairman.

New officers of the fire prevention association are: President, Donald McCormack, Boston; vice-president, Robert F. Quigg, Springfield F.&M., and secretary, Donald E. Clader, America Fore Loyalty.

Superintendent C. Lawrence Leggett spoke at the joint banquet.

The fire prevention association set up a program calling for eight town inspections in 1960-61 in addition to participation in Fire Prevention Week.

Future activities of the field club will be determined at a meeting in Chicago June 30-July 1 sponsored by Insurance Information Institute.

Musser Makes Licensing, Code Recommendations

SALEM, Ore.—Commissioner Musser of Oregon has made several recommendations for licensing agents and adjusters in the state, and for amending the insurance code. These would:

1. Require an examination for an adjuster's license. Presently adjusters must be licensed, but there is no provision for examination.

2. Require any organization selling insurance, fraternal or otherwise, to come under department jurisdiction.

3. Amend the code to permit regulating the sale of automobile breakdown warranties.

4. Require surplus line affidavits signed by licensed resident agents.

The commissioner also proposed increasing the agents' license revocation period from one to five years, and prohibiting countersigning policies and endorsement by company employes (special agents, state agents and branch managers).

Dallas Insurance Club Elects Miller President

Insurance Club of Dallas has elected Horace F. Miller, Floyd West & Co., president succeeding Charles W. Morgan, General Adjustment Bureau.

Other new officers are Donald Bowles, Shelton & Bowles, 1st vice-president; Hilton Painter, National Empire Life, treasurer; William Johnson, Jones, West & Johnson, secretary, and W. G. Dodge, Northern of New York, house committee chairman.

Directors elected for a three-year term are Gordon Durden, Pan-American Life; C. B. McKenzie, Southwest Indemnity & Life; T. M. Rucker, T. M. Rucker Co.; Hugh M. Gossett, Texas Employers' Insurance Assn, and Lewis E. Grigsby, Hartford Fire.

New officers of **Assn. of Insurance Agents of St. Charles,** Mo., are: President, Ruth M. Lawing; vice-president, Albert Ermeling, secretary-treasurer, Earl Doerrie.

Stocks

By H. W. Cornelius of Bacon, Whipple & Co., 135 S. La Salle St., Chicago, June 14, 1960

	Bid $	Asked $
Aetna Casualty	78	81
Aetna Fire	72¼	74½
American Equitable	37¾	40
American, Newark	26⅛	27½
American Motorists	13⅝	15
Boston	33¼	35½
Continental Casualty	73	75½
Crum & Forster	67	70
Federal	55¾	58
Fireman's Fund	53¼	55½
General Re.	96	99¾
Glens Falls	34½	36¼
Great American	42¾	44½
Hartford Fire	46	48¼
Hanover	44¾	47
Home of N. Y.	56¾	58¼
Ins. Co. of No. America	127½	130
Jersey Ins.	32	35½
Maryland Casualty	35	37¼
Mass. Bonding	40	42½
National Fire	144½	150
National Union	35½	37¼
New Amsterdam Cas.	51	53¾
New Hampshire	50¼	52½
North River	35	38
Ohio Casualty	24	26¼
Phoenix, Conn.	75¼	78
Prov. Wash.	20	21¾
Reins. Corp. of N. Y.	21	23
Reliance	49¾	52
St. Paul F. & M.	56	58½
Springfield F. & M.	31½	33
Standard Accident	47½	49¼
Travelers	83	85¼
U. S. F. & G.	40	42
U. S. Fire	28	30¼

N. Y. U. Report Favors WC Rehabilitation Care

A New York University study team, following an investigation conducted under a 1957 legislative grant, recommends that rehabilitation be included as an integral part of medical care provided under the workmen's compensation law.

It also recommends creation of a medical advisory council to the WC board; a civil service study of requirements and salaries for medical personnel employed by the board; and creation of medical rehabilitation consultant positions on the board staff.

The report favors in-service training programs in rehabilitation for all board medical examiners and personnel; a system of automatic reviews of all cases of certain types of injuries and disabilities which may involve severe or potentially severe disability, and automatic review on a time basis of all other types of injuries to determine the need and advisability of referral for rehabilitation evaluation.

The report will be published by the New York University Press later this year.

Washington Field Men Name McNamara President

Eugene T. McNamara, Gould & Gould, has been elected president of Washington Fire Underwriters Assn. to succeed James D. Weller, Groninger & Co. Vice-president is Richard J. Schmitt, London & Lancashire; secretary, William D. Brown, United Pacific, and treasurer, I. W. Elwell, New York Underwriters.

Ohio Holds Hearing On Public Adjuster Practices

Public hearing was held by the Ohio department this week to prevent licensed public adjusters from engaging in sharp practices, particularly in the home repair business. The department, which was directed to license public adjusters by the 1959 legislature, is considering banning anyone licensed as an adjuster from being in the home repair business, falsely representing that he is connected with an insurance company or a fire department, or soliciting business at the scene of a fire. Superintendent Stowell said that by licensing adjusters, the department is abetting their operations as home repair operators, and plans to ask the legislature to repeal the licensing law in 1961.

Wallace Is Secretary Of Surety Producers

National Assn. of Surety Bond Producers has appointed Bruce Wallace full time secretary. He succeeds Edward H. Cushman, Philadelphia. Mr. Cushman will continue as counsel of the association, which will have headquarters in New York.

A graduate of the University of Denver, where he majored in insurance, Mr. Wallace was formerly with U.S.F.&G. and with Royal-Globe in the mountain area. Most recently he was a field man for the Ritter general agency of Denver.

Minn. WC Rates To Go Up 9% In Aug.

Workmen's Compensation insurance rates in Minnesota will be increased Aug. 1 by an over-all average of 9.4%. Increases by industry groups are manufacturing, 11%, contracting, 14.1%, and all other industry groups, 6%.

Overholt Picked To Head N. M. Capital Stock Assn.

New Mexico Capital Stock Assn., at the annual meeting at Santa Fe, elected John Overholt, Ritter general agency, president. Dwight Tope, Tope State Agency, is vice-president, Robert Watson, Whyburn general agency, secretary, and David S. Williams, U.S.F.&G., public relations chairman.

The annual meeting of New Mexico Fire Prevention Assn. was held in conjunction with the field association conclave. Officers elected are Frank Mercer, U.S.F.&G., president; Donald Jones, St. Paul F.&M., vice-president, and R. L. Butz, U.S.F.&G., secretary.

St. Louis A&H Assn. Installs New Officers

St. Louis Assn. of A&H Underwriters installed new officers at its June meeting and heard a talk by George McDonnell of the St. Louis office of Continental Casualty, who discussed coverages on older persons.

A. S. Quinn Jr., Mutual Benefit H.&A., is the new president of the St. Louis association, succeeding W. Stanley Stuart, General American Life. The vice-presidents are Harold Jacobs, Massachusetts Mutual Life, and Ray Friedman, Bankers Life of Nebraska. Dana Kinsman, Paul Revere Life, is secretary, and Ray Macher, Occidental Life of California, is treasurer.

London Assur. Names MacIntosh

London Assurance has appointed George G. MacIntosh chief internal auditor and director of methods and procedures. He entered the business with United States Casualty and in 1932 joined Fireman's Fund, where he became assistant controller and assistant secretary. He subsequently went with Joseph Froggatt & Co. as a senior auditor and with Aero Associates as treasurer. In 1956, Mr. MacIntosh became chief internal auditor of Pacific National group.

$53 Million Loss Cited By N. Y. C. Blue Cross In Rate Boost Appeal

NEW YORK—Officials of Associated Hospital Service of New York (Blue Cross) opened the department hearing this week into the plan's request for an average 37.4% rate increase by citing deficit operations of some $53 million since 1956.

David W. Brumbaugh, chairman of the plan, at the same time told the department that Blue Cross reserves of $69.5 million in 1955 have declined to $27.52 The plan's president to the $30 million as of May 31, and that the need for an increase was thus obvious.

Douglas Coleman, Blue Cross president, said that the average cost per patient in New York hospitals in 1959 was $32.76 a day, whereas the plan's per diem payment was only $27.02 to $27.52. The plan's president told the department that the rate increase would provide new benefits for subscribers, a new method of payment to hospitals and new contracts offering 120 days of full coverage with $50 and $100 deductibles to reduce costs.

Alaska '59 Surplus Line Premiums, Losses Given

Surplus line net premiums and incurred losses for Alaska during 1959 are given in the accompanying table.

Fire accounted for $373,719 of the total net premium; workmen's compensation, $1,119,768, and aircraft physical damage, $447,820. Fire accounted for $235,549 of the total incurred losses; workmen's compensation, $683,238, and aircraft physical damage, $188,176.

	All Lines Net Premiums	All Lines Incurred Losses
Sayre & Toso	422,025	223,207
Gould & Gould	354,518	173,498
Farwest Gen. Agcy.	346,000	189,012
C. Ed Cochrane	286,548	62,438
C. V. Starr	255,143	106,390
Robert O. Fleming	220,479	100,239
Voigt, Walker	153,161	72,069
Hansen & Rowland	126,818	141,392
Talbott, Carroll	122,279	80,331
L. Patton Kline	87,957	—
Cravens, Dargan	81,233	4,572
Rathbone, King & Seeley	72,295	31,172
Swett & Crawford	67,924	30,811
H. M. Newhall	59,864	2,613
Trans Alaska Und.*	29,539	1,598
Groninger	20,414	417
Northern Ins. Agcy.	15,948	7,793
Kenneth I. Tobey	10,084	—
Marsh & McLennan-Cosgrove	4,963	—
Galbraith & Flower	1,923	—
Preferred Gen. Agcy.	1,677	—
Totals	2,780,822	1,259,237

S. F. Forum Installs Officers

New officers of Fire Underwriters Forum of San Francisco were installed at the annual meeting this month. Jack Armstrong, Crum & Forster, is president; Donald Healy, Chubb & Son, vice-president, and George Searight, Crum & Forster, secretary.

Universal Automobile of Indianapolis has been licensed in South Carolina and Washington.

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